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No. 4, April 1982

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27 July 1982

USSR REPORT
WORLD ECONOMY AND INTERNATIONAL RELATIONS

No. 4, April 1982

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ENGLISH SUMMARIES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 82 (signed to press 23 Mar 82) pp 158-159

[Text] The article by academician S. Tikhvinsky "Lenin, Genoa, Modern Times" is dedicated to the sixtieth anniversary of the Genoa conference, which attracts the attention of our contemporaries because a top-level diplomatic meeting of the first in history Socialist state with the diplomacy of the leading capitalist states took place at it. The Conference was preceded by major organizational and political activities carried out under V. I. Lenin's guidance. The Soviet delegation at the Conference proceeded from the Leninist conception of peaceful co-existence of states with different social and political systems. This conception was based on the defense and consolidation of Soviet power, on its advance in the international arena, on some compromises and agreements with certain bourgeois circles in the interests of peace. Soviet diplomacy at that representative international Conference set important questions, connected with general principles and proper relations between the states belonging to two different systems. Ways and means had to be determined to ensure peace and security in Europe, disarmament and participation of all countries and continents in the solution of international problems.

In the early eighties the 26th CPSU gave a profound analysis of the peculiarities of the present day world politics and indicated what should be done to provide security and peace.

K. Luft and E. Stepanova in their article "Socialist Economic Integration and Its Bourgeois Critics" criticize some bourgeois conceptions of socialist economic integration and cooperation of the CMEA member-countries.

The authors note that of late increased attention is being paid in the West to the process of socialist economic integration due to its real successes and advantages, the consolidation of the CMEA member-countries in the world economy and their ever wider participation in the international division of labour. The growing authority and influence of the states of the socialist community induce the anti-communist ideologists to undertake massive attacks on the world socialist theory and practice.

Having analysed the essence of the speculative methods by means of which the bourgeois ideologists try to discredit the very idea of socialist economic integration, the authors of the article persuasively show that

the advocates of the social order, which is withering away, are not able to suggest any positive conception of social development. They continue to hope that the centrifugal tendencies invented by them will result in the "elimination" of socialism. The very fact of the existence of such illusions is a vivid indication of the deepening crisis of the bourgeois ideology.

Tokyo's military preparations on the threshold of the 80's prove that the military and most conservative Japanese circles ardently responded to the Pentagon's appeals to speed up the growth of Japan's military potential, to expand and strengthen its military alliance with the USA and other partners in the anti-Soviet policy. In the article "Japan: Militarist Tendencies" R. Alyev shows the trends of development of the so-called "self-defense forces" and their new tasks for the coming decade. The author emphasizes that the ruling circles of Japan use the "Soviet military threat" myth to justify the growth of their own military forces. The Japanese government with Washington's support and under its pressure uses anti-Sovietism as an ideological and political platform for all kind of combinations in the Far East (the USA-Japan-PRC and the USA-Japan-South Korea). The article focuses its attention on the evolution of the "national security" doctrine, foreseeing in the near future the emergence of the Japanese military forces on the expanses of the World Ocean up to the Hawaiian Isles and the Middle East. The author indicates that all of Japan's military preparations create premises for bringing about such a situation in Asia, which is fraught with negative consequences for the peace and security of the peoples of the Asian continent. Thus the process of development of relations between states of the two systems on the basis of principles of peaceful co-existence and easing of international tension has been hindered. This applies to Soviet-Japanese relations as well.

Abundant statistical data in prof. (the GDR) M. Schmidt's article "FRG in Modern World" gives evidence that economic advance of West Germany during last decade provided strengthening of its internal and international performance. The FRG is becoming an independent political factor in international relations. Nevertheless West Germany, holding one of the leading positions in the world economy, is also subject to structural crisis, to the increase of government debt, it suffers of mounting unemployment as other capitalist countries. Furthermore, the FRG is more vulnerable--in comparison, with the USA or the United Kingdom--via price fluctuations on international markets and the growth of protectionism, involving reduction of trade while approximately 29% of the West German GNP being exported. Policymaking in Bonn in relations with various groups of countries is threefold: firstly, the main axis of external political doctrine remains unchangeable: military alliance with the USA within the framework of NATO marked recently by progressive remilitarization. Secondly, as far as the Community is concerned the FRG is deeply interested in further strengthening of West European economic potential and thus promoting for the regional leadership of the FRG in its competition with the USA and Japan. Thirdly, West German strategy via developing countries is based on priority of economic means of coordinated neocolonialism and is aimed to provide for stable and long-term cooperation. The author indicates the aggravation of internal and external problems

in West Germany involving narrowing of the range of devices for social manoeuvre.

The article "Microelectronics and Employment Problems" by V. Lubimova and N. Ivanov examines the impact of the new stage of scientific and technical progress connected with the development of microelectronics on the employment and structure of the labour force in the capitalist countries. The authors come to the conclusion that one of the essential factors, attributing to growing unemployment is the attempt of corporations to increase profits through the mass introduction of labour-saving achievements in engineering, robots in particular. The acuteness of the problem stems from the fact that the "microprocess revolution" essentially changes the demand structure in the labour market. The growing demand for specialists in microelectronics and information technique is accompanied by the displacement of some traditional professions considered formerly to be mass professions.

A. Astapovich's article "U. S. State and Corporations in the Scientific and Technological Revolution: External Economic Aspect" is intended to throw light on an issue of great importance namely the economic impact of the scientific and technological revolution on the interaction between state and corporations in the field of foreign activity.

The STR intensified drastically internationalization of capitalist economy involving further deepening of the international division of labor and providing for the abrupt rise of transnational business especially in R&D intensive industries. Innovative capacity has proven to be the most essential factor of international competitiveness requiring economies of scale in order to exploit efficiently technological advantages. American technological transnationalism as dominating strategy towards advanced and developing countries stemmed from undeniable innovative leadership of the USA and was aimed to prevent reduction of the so called technology gap in capitalist world. This situation was significantly questioned in the late 70's by series of scientific and technological breakthroughs performed by some advanced capitalist states. Having given priority to military, energy and environmental R&D American corporations now face growing competition from European and Japanese rivals in various high technology industries and furthermore they began to collide with new industrializing countries in a number of traditional manufacturing sectors of production. The situation has brought on growing involvement of the American state to maintain incentives for technological advance on the one hand and to back domestic monopolies in their foreign expansion on the other. The author examines the range of governmental policy instruments from direct command and control to less direct approaches such as taxation, subsidies, employment of antitrust laws to support national and offset foreign companies in international competition. The author's investigation gives evidence of the contradictory and limited nature of state monopoly regulation.

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LESSONS OF RAPALLO: EFFORTS TO ISOLATE USSR FUTILE

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 82
(signed to press 23 Mar 82) pp 3-17

[Article by Academician S. Tikhvinskiy: "Lenin, Genoa, Modern Times"]

[Text] The Conference of Genoa, the 60th anniversary of which is observed in the spring of this year, belongs to the number of international events that grows in significance as time goes on. The conference, which was officially convened for the purpose of finding avenues to "the economic restoration of Central and Eastern Europe" and of finding a political solution to a number of European problems of the time, attracts the attention of our contemporaries because it was the site of a large-scale meeting between diplomats of the first socialist state in history with the diplomats of leading capitalist countries.

In Genoa, Soviet representatives for the first time at a major international conference raised problems that were of cardinal importance not only to the peoples of our country, but also to the future of the entire system of international relations--problems that were associated with general principles and the concrete implementation of relations between countries with different social systems, with the determination of ways and means of ensuring peace and security in Europe, with disarmament, with the involvement of all countries and continents in the resolution of international questions.

The Conference of Genoa opened on 10 April 1922 under complex international conditions. By that time, attempts of the world bourgeoisie to stifle Soviet power through armed intervention had failed and an unstable balance of power had developed in relations between the RSFSR and the bourgeois countries. Delivering the report of the All-Russian Central Executive Committee and the Council of People's Commissars on republic domestic and foreign policy at the 9th All-Russian Congress of Soviets on 23 December 1921, V. I. Lenin stated: "This is the first time that I have been able to make such a report when a whole year has passed without one, at any rate large-scale, attack against our Soviet power by Russian or foreign capitalists. This is the first year that we have been able to enjoy a relative respite from attacks, even if for a limited period, and have been able in some measure to apply our energies to our chief and fundamental tasks, namely, the rehabilitation of our war-ravaged economy, healing the wounds inflicted on Russia by the exploiting classes that had been in power, and laying the foundations for socialist construction."*

*V. I. Lenin, "Poln. sobr. soch." [Complete Collected Works], Vol 44, p 291.

The European capitalist countries were going through a difficult period. They had not yet emerged from the deep, protracted economic crisis that gripped them after the world war ended. The revolutionary upheavals in Hungary and Germany in 1918-1919 and actions by working people in other European countries in defense of their rights and the demand "Hands Off Soviet Russia!" were fresh in the memory of bourgeois politicians. Bourgeois leaders were faced with the task of restoring the world capitalist market, to a significant degree undermined by the war, and of including in the market countries that had suffered defeat in the war. Versailles was yet to be infused into the system of concrete socio-economic and political relations.

Having suffered defeat in supporting the Russian counterrevolution during the civil war and foreign military intervention against the young socialist state, bourgeois governments in Europe and America did not have any intention of ceasing their struggle against the socialist state. They now hoped to liquidate it through political and economic blockades. The main goal of the Soviet government at that time was to frustrate these plans, to affirm the RSFSR as an equal member in the world community and to lay the foundation for trade and political contacts with western countries. Its decisive and well-conceived actions in large measure determined whether the scale would be tipped in the direction of international cooperation, whether the political difficulties and problems left by the world war would be constructively overcome, or whether the unstable balance fraught with the danger of a new armed confrontation would remain.

I

The convening of the Conference of Genoa and the participation of the RSFSR in the conference were preceded by a major organizational and political effort that was recovering under the direction of V. I. Lenin.

On 28 October 1921, the Soviet government sent a note to the governments of Great Britain, France, Italy, Japan and the USA. The Soviet government warned western powers against exploiting the hunger and devastation in Soviet Russia in their own interests and expressed willingness to make a number of important concessions on the issue of tsarist Russia's debts to foreign states and banks. It declared its willingness to recognize these debts with the condition that it be granted appropriate terms enabling it to meet the given commitments. An indispensable condition of the Soviet side was the obligation of the great powers to put an end to all actions threatening the "security of the Soviet Republic and the allied Far Eastern Republic," in other words, to conclude general peace with the RSFSR and to recognize its government. It was proposed that an appropriate international economic conference be convened as soon as possible.

A conference of Entente countries opened on 6 January 1922 in the French city Cannes. Its participants adopted a resolution that stated that they approved the proposal to convene an economic and financial conference to which all European countries, including Russia, as well as Austria, Hungary and Bulgaria would be invited.

In January 1922, the Soviet government, having accepted an invitation, set about making active preparations at the behest of the Central Committee of the

Russian Communist Party (of Bolsheviks) for the conference to be held in Genoa. In less than 3 months, a colossal amount of work was performed; the experience of this effort is prized even today. Despite the deteriorating state of his health, V. I. Lenin personally supervised the entire effort in which G. V. Chicherin, people's commissar for foreign affairs, participated directly. Graphic evidence of this point is afforded by Lenin's numerous pronouncements and letters to members of the Politburo, the government and Soviet diplomats.

During February and March 1922, V. I. Lenin concerned himself almost daily with questions associated with preparations for the Conference of Genoa. G. V. Chicherin later recalled: "Even though Vladimir Il'ich spent the winter of 1921/22 living outside the city, he was vitally and passionately interested in questions associated with the convening of the Conference of Genoa. He wrote a number of notes in this regard and the general content of our representations in Genoa was based on his personal notes."*

In accepting the invitation from the western powers, the Soviet state proceeded from V. I. Lenin's idea of the peaceful coexistence of countries with different sociopolitical systems, which after the victory of the Great October [Revolution] became one of the leading principles in the foreign policy of the world's first socialist state. V. I. Lenin demonstrated the inevitability of the simultaneous existence of countries belonging to different social systems for a certain historical period of time, "when socialist and capitalist states will exist side by side."** He emphasized that the Soviet state "wishes to live in peace with all peoples and to direct all its efforts toward internal construction...."***

The Leninist style of thinking and work was characterized by the organic combination of the most important principles and moral-ethical norms of socialist diplomacy with concrete questions of current policy, the ability to discern the most important among the latter, the ability to concentrate efforts on the attainment of results specifically in the major directions by defending and utilizing sentiments existing between our partners and opponents in the negotiations in favor of cooperation and the constructive development of relations. This principle of Soviet diplomacy which was set forth by V. I. Lenin, which was manifested so forcefully during preparations for and in the course of the Genoa and associated conferences, became an integral quality in all foreign policy of the Soviet state. It can be said without exaggeration that without such ability to combine the ideological principles of communism with concrete, practicable tasks, to demonstrate a great deal of patience and restraint for the sake of finding a resolution acceptable to all, Lenin's idea of peaceful coexistence would have remained only an idea.

Preparing instructions for the Soviet delegation that was to be sent to Genoa, V. I. Lenin recommended that delegates "in speeches and declarations briefly

*G. V. Chicherin, "Stat'i i rechi po voprosam mezhdunarodnoy politiki" [Articles and Speeches on Problems of International Policy,] Moscow, 1961, p 284.

**V. I. Lenin, "Poln. sobr. soch.," Vol 39, p 197.

***Ibid., p 413.

present the communist point of view, and make the presentation such that, even though I am a communist and even though I have such and such communist views, for the given audience I do not wish to quote communists, but to present the question of the need to cancel all debts, etc., from the bourgeois point of view...."* While emphasizing that it would be the unconditional obligation of the delegation to advance a total, independent, integral program on all basic questions of European politics of those days, V. I. Lenin at the same time insisted that this program was "bourgeois-pacifistic, with the clear and timely qualification by our delegation that we here are not presenting the only communist program that corresponds to our view...because we desire to offer for the attention of other delegations, who occupy a fundamentally different position, a number of palliatives and measures of reformist type, which have already been proposed in part in Great Britain and other capitalist countries by people who share bourgeois views. Under certain conditions, this program of palliatives could nonetheless alleviate the present difficult situation (an assured solution to which is possible only if there is an ultimate break with all principles of capitalist ownership)."

V. I. Lenin offered an approximate list of the basic points in such a "bourgeois-pacifistic" program: cancellation of all debts; application of the "Irish solution" to all colonies, dependent countries and nations; the granting of loans under special terms to countries that were ravaged more than others by the war, that were weakest with regard to their potential for self-development and that were especially important to the world economy as eventual suppliers of vast quantities of food and raw materials; the establishment of a uniform gold unit for the monetary systems of a number of countries and measures for introducing this unit; the agreement of a number of countries on measures to combat inflation and the fuel crisis; measures to secure the most rational and economical use of energy sources based on uniform, planned electrification; and an agreement on the measures for the reorganization and improvement of international transport that are most important from the standpoint of potential deliveries of raw materials and food.***

On 24 February, V. I. Lenin wrote the Draft Resolution of the Central Committee of the Russian Communist Party (of Bolsheviks) on the Tasks of the Soviet Delegation in Genoa, which once again emphasized the most important among them: "...Without concealing our communist views, to confine ourselves nonetheless to the most general and concise reference to them (for example, in a subordinate clause)" and to declare directly "that we deem it inappropriate to sermonize our views here because we have come for a trade agreement and for an attempt to agree with the pacifistic part of the other (bourgeois) camp."****

*V. I. Lenin, "Poln. sobr. soch.," Vol 44, p 375.

**Ibid., pp 382-383.

***Ibid., p 383.

****Ibid., p 407.

Lenin's recommendations were not by any means intended to produce instantaneous gains. They were based on a clear understanding of the fact that the world bourgeoisie would not abandon its class positions and that therefore it was pointless to "preach" communist views to it. The recommendations did, however, take into account the internal inhomogeneousness of the capitalist camp and the existence of various, frequently contradictory views and interests within the capitalist camp that opened up the potential of the agreements. What is more, the recommendations also emphasized the study of present market conditions and especially the search for problems and positions that could be the basis for the long-term cooperation of the sides, to secure this cooperation simultaneously in various directions, and ultimately to strive for the main objective: the constructive, stable, forecast course of international life based on the principles of equality, mutual respect, and reciprocal aid by all parties.

No one understood better than V. I. Lenin that these principles would remain nothing more than good wishes unless they were defended persistently and consistently and unless imperialist intrigues were decisively rebuffed. It was for this very reason that Lenin's strategy and tactics were based on the idea of defending and strengthening Soviet power, of promoting it to a leading position in the international arena, of reaching compromises and agreements with certain circles of the bourgeoisie in the interests of peace and cooperation.

"Remaining with the viewpoint of communist principles," Soviet delegation head G. V. Chicherin declared at the first plenary sitting of the Conference of Genoa, "the Russian delegation admits that in the present historical epoch, which makes the parallel existence of the old and incipient new social order possible, economic cooperation between countries representing these two systems of ownership is vitally necessary for universal economic restoration."* Thus, for the first time, at the broadest international forum, Soviet Russia proclaimed for everyone to hear its total commitment to the principles of peaceful coexistence. In Genoa, these principles were noted in most general form. Their efficacy still remained to be confirmed in practice. It is important to emphasize, however, that even then the program that was formulated by the Soviet delegation and submitted to the conference articulated a complex of interconnected problems, each of which had to be resolved if the peaceful coexistence concept was to be realized in full measure. Among them: the construction and development of normal political relations based on reciprocal trust and cooperation; disarmament as the military-political basis of stability and the constructiveness of such relations; economic cooperation on a mutually advantageous and equal basis as the material foundation of peaceful coexistence.

In Genoa, the struggle for the peaceful coexistence of countries belonging to two different systems only started. The most difficult problem was to secure capitalism's political and legal recognition of socialism's right to exist and to establish normal relations between Soviet Russia and the West. Victory in the military phase of the struggle created the prerequisites for such recognition but did not provide the recognition proper. It was for this very reason that Chicherin spoke at the conference regarding the "very great importance" that the Russian government attached to the mutual recognition of "different systems of ownership

*"Dokumenty vneshney politiki SSSR" [USSR Foreign Policy Documents], Vol V, Moscow, 1961, pp 191-192.

and different political and economic forms that presently exist in different countries"* thereby raising for the first time that which is today referred to as the legal-contractual reinforcement of the principles of peaceful coexistence. In his speech, he repeated point 1 of the Cannes resolution which stated: "No state may assume the right to dictate to another state the principles upon which the latter must regulate its ownership system, its internal economic life and government. Each nation is free to choose the system it prefers in this area."** This point combined two important principles in this type of international relations, the struggle in which also continues today: the de facto recognition of the natural and legal right of each people to self-determination which is inseparable from similar recognition of the principle of nonintervention in the internal affairs of other states and peoples.

Naturally, it was far easier for bourgeois politicians to proclaim these proposals than to observe them in practice. Everything was brought into play--the gross violation of these proposals by force (if circumstances permitted) and petty political intrigues and subterfuges. It is noteworthy in this regard that in an official letter, which invited the Soviet delegation to attend the conference, Italian premier I. Bonomi cited Point 1 of the Cannes resolution but omitted the words "ownership system." The letter only mentioned the right of countries to organize their own internal economic life and their style of government. In connection with this omission, on 8 January 1922 the French newspaper PETIT PARISIEN published the text of the first point of the resolution without omissions. The given point was accordingly reproduced in full form in the newspaper IZVESTIYA on 10 January 1922. In a letter to G. V. Chicherin dated 26 January, V. I. Lenin called attention to this fact. He wrote him of the need to send him the official text of I. Bonomi's proposals and to ascertain whether the first point of these conditions had not been printed in its entirety in any Entente newspaper.*** On the same day, G. V. Chicherin sent V. I. Lenin the issue of PETIT PARISIEN.

The episode with the resolution shows the kind of significance that V. I. Lenin attached to the international legal recognition of socialist ownership on a par with other forms of ownership.

II

In 1922 (advancing the broad program of peaceful coexistence in Genoa) and in our day (fulfilling the decisions of the 24th, 25th and 26th CPSU Congresses), the Communist Party and the Soviet government defended the idea of peace based on the need for the all-round development of relations between countries. V.I. Lenin always proceeded from the premise that peace can only be lasting when it is reinforced by mutual contacts and especially by commercial contacts. The need for markets, for sources of raw materials compels capitalist countries to meet socialism halfway on the question of developing economic ties. "Economic reality," G. V. Chicherin wrote, "requires the exchange of goods, the entry into constant regulated relations with the entire world and the same economic reality requires the same of other governments no matter how much they might hate our system."****

*Ibid., p. 192.

**Ibid., p. 716.

***See V. I. Lenin, "Poln. sobr. soch.," Vol 44, p 371.

****G. V. Chicherin, Op. cit., p 145.

In Genoa, the Soviet delegation advanced the peace proposal in close conjunction with proposals of economic cooperation. In particular, its declaration at the first plenary sitting stated that plans for the restoration of the world economy could be implemented only under peaceful conditions when the threat of new wars no longer faced Europe and the world. Today these words retain their full significance with regard to the problem of developing international and especially pan-European economic relations.

At the Conference of Genoa, G. V. Chicherin launched a broad program of Russian participation in the economic restoration of Europe. Soviet Russia proposed a far-reaching plan of concessions, especially in Siberia, in order to expand the raw materials base of European industry. Russia proclaimed its willingness to open its frontiers to international through traffic. G. V. Chicherin made it clear that measures taken by the Russian government in the realm of internal legislation were in line with Russia's new economic policy and were responsive to the points contained in the Cannes resolution regarding legal guarantees required for economic cooperation between Soviet Russia and countries based on private ownership.

G. V. Chicherin outlined concrete points of the Soviet program for the truly general economic restoration of Europe, G. V. Chicherin noted the impossibility of resolving the given problem without Russia's participation. This point of view retains its significance even today at a time when American imperialism is trying to exclude the sphere of international economic relations. The hopelessness of such a course is obvious: the Soviet Union is one of the major economic powers. It plays a very prominent role in the system of international economic relations and Western partners themselves are directly interested in trade with the Soviet Union.

At the same time that he indicated--in the period of preparations for Genoa--objective factors prompting bourgeois states to establish economic ties with Soviet Russia, V. I. Lenin foresaw that their development would not always be smooth and entirely devoid of hitches. Nonetheless, he emphasized, "basic economic necessity will build its own road" and "regular trade relations between the Soviet Republic and all the capitalist countries in the world are certain to continue developing."*

When they sent their representatives to Genoa, V. I. Lenin and the Soviet government were guided by the attempt to establish commercial ties with capitalist countries. The Soviet delegation proceeded from Lenin's words that "we need true trade relations and not only diplomatic victories."** "We go to Genoa," V. I. Lenin said, "for the practical purpose of expanding trade and of creating the most favorable conditions for its successful development on the widest scale."***

*V. I. Lenin, "Poln. sobr. soch.," Vol 45, p 71.

**Ibid., Vol 43, p 20.

***Ibid., Vol 45, p 70.

Soviet Russia strived to secure mutually advantageous agreements and warned that any attempt to use threats or dictates to foist one-sided terms on it would be categorically rejected.

Present Western opponents of normal trade and economic relations between countries belonging to the two [different] systems maintain that the USSR is supposedly totally dependent on such trade and regard it as an opportunity to bring pressure to bear on countries in the socialist community. The experience of Genoa and of all relations of the young Soviet republic with the capitalist world in the extremely trying 1920's should have been a lesson to such "theorists." While the Soviet Union--then or now--never concealed its interest in making extensive use of the advantages of the international division of labor, it never made the principal directions of the country's economic development dependent on the "benevolence" of the imperialist countries. It was for this very reason that our country not only withstood the onslaught of imperialism over its 65-year history but also succeeded in occupying its present position in the world.

Capitalist attempts to invoke various kinds of economic sanctions, to blockade our country, etc., invariably failed just as they will fail in the future. The USSR--and the socialist world in general--now has everything it needs for the independent progress of its economy. Moreover, as V. I. Lenin brilliantly predicted, capitalism itself suffers from such a blockade. The longer it lasts, the costlier does it become to capitalism economically and politically. This point has been confirmed by the entire experience of past decades.

The USSR expanded its economic relations to a considerable degree in the 1920's and 1930's. Trade agreements were concluded with Great Britain and France, with Germany and Italy. Trade relations also developed with neighboring countries. Implementing Lenin's program for restoring world's economic health, the Soviet Union advanced a number of proposals on the given question. Thus in May 1927, the Soviet Union took part in the International Economic Conference which was convened at the initiative of capitalist countries with the aim of averting or attenuating the onset of crisis phenomena in their economy. The Soviet delegation put forth a detailed program which was based on the idea of the need for peaceful coexistence between countries belonging to different social systems. Even though the Soviet proposals aroused a great deal of interest, their adoption was prevented by representatives of the capital powers. At the dawn of Soviet power, economic relations of the RSFSR with the bourgeois countries were still in their embryonic stage. They become more significant and multifaceted in the 1930's. Today the USSR is engaged in trade, is expanding its economic relations with virtually all countries in the world and is an important factor in our planet's economic development.

Economic relations between countries belonging to the two different systems also developed positively in the postwar period. The most favorable conditions therefore developed in the 1970's, at a time when detente and the departure from "cold war" principles created the prerequisites for attaining major success in this area. Problems of economic cooperation occupied a prominent place in foreign policy decisions of the 24th, 25th and 26th CPSU Congresses and in the practical policy of the Soviet state. In the last decade (1970's), Soviet trade with Western partners increased from 4.7 to 31.6 billion rubles.

After the All-European Conference in Helsinki, approximately 30 long-term agreements on trade, economic, industrial and scientific-technical development were concluded with practically all West European states. Special note should be taken of the 25-year agreement on development and increased cooperation between the USSR and the Federal Republic of Germany which was signed during L. I. Brezhnev's visit to the Federal Republic of Germany in 1978 and of the 10-year program of economic, industrial and technical cooperation between France and the USSR for the period between 1980 and 1990.

Cooperation is developing most successfully with the FRG and France (trade with these countries in 1980 amounted to 5.8 and 3.8 billion rubles, respectively). The economic relations of the Soviet Union with its immediate neighbors are traditionally good. It was specifically with the northern countries that the young Republic of Soviets established its first contacts in 1918. In 1981, Soviet trade with Finland reached the 5 billion ruble mark. The Soviet Union also established active trade ties with many other countries in the capitalist world: Japan, Italy, Austria, Belgium, Sweden, etc.

In addition to traditional forms of trade, relations between the USSR and a number of capitalist countries also utilize broader forms of economic cooperation that include the construction of economic facilities both in the USSR and Western Europe and the construction of enterprises on a compensatory basis. It is the practice to conclude agreements and transactions on cooperation in industrial production and on research and development in various branches of industry. By 1980, CEMA and West European countries had concluded more than 1500 industrial cooperation agreements. The successes of the Soviet Union in expanding economic cooperation with capitalist countries are the embodiment of the Leninist ideas expressed during the Conference of Genoa.

In our day, at a time when Washington contributed to the significant deterioration of the international situation and in so doing used all traditional means of the imperialist policy of force, many West European countries were compelled to oppose attempts of the American administration to foist on them various measures intended to exert economic pressure on the USSR and other socialist countries. As we know, West European countries are quite unwilling to adopt such measures and sometimes even directly oppose them. Thus in 1980, when the Carter Administration attempted to exert economic pressure on the USSR, West European countries increased trade with our country. The situation was in large measure repeated in 1981 when, notwithstanding fierce resistance of the Reagan Administration, the USSR and a number of West European countries--including the Federal Republic of Germany and France--reached agreement on a large-scale "gas-pipeline" project--one of the largest energy projects in the history of Western Europe.

Naturally the relative independence of Western Europe on such questions is explained by a number of factors that sometimes differ substantially for various countries in the region. In addition to the realization that the basic interests of Western Europe have nothing in common with the exacerbation of tension, with the curtailment of trade and economic relations with socialist countries, the mounting economic recession in the West, declining production and increasing^{up} unemployment are playing a part in the refusal of European countries to follow the USA blindly. Under these conditions, the significance of stable relations with socialist countries

that are reliable trade partners and of relations based on equality and mutual gain grows significantly. In the 1970's, the West European countries gained a real feeling of blessings of detente and received inter alia significant benefits from expanded commercial cooperation with the socialist world. A certain role was also played by the fact that many West European countries became convinced on the basis of their own example of the impracticality of trade sanctions and of the high economic and political cost to countries pursuing such a policy. This experience dates back to the Conference of Genoa and to the opportunities missed there by Entente countries. At that time, the latter were enjoyed only by Germany which concluded the Treaty of Rapallo with Soviet Russia on 16 April 1922. And, as we know, this occurred outside the framework of the Conference of Genoa.

In Genoa, Entente countries refused to discuss the question of reducing the severity of the terms of the Treaty of Versailles and of reducing Germany's reparation payments. "In such a situation," V. I. Lenin said, "Germany is naturally prompted towards an alliance with Russia."* Skillful Soviet diplomacy was successful in isolating Germany from the anti-Soviet front of those years, which was an important milepost in Soviet foreign policy. It thus extricated itself from a position of isolation. According to the treaty, the RSFSR and Germany mutually canceled war debts and claims for compensation filed by citizens of both countries. Germany renounced all claims on the RSFSR, including claims relating to nationalization by Soviet power on the condition that the Soviet government not satisfy similar claims by other countries. Diplomatic and consular relations were restored between the RSFSR and Germany and the most favored nation principle in trade was instituted.

Both Germany and Soviet Russia were able to extract major advantages from the development and expansion of trade and economic cooperation between both countries. G. V. Chicherin wrote of the Treaty of Rapallo that it "offered very serious political advantages to both participants. The international situation of both became firmer."

The signing of the Treaty of Rapallo made significant changes in the course of the Conference of Genoa. The success of Soviet diplomacy had an impact on subsequent negotiations between Great Britain and France on the one hand and Soviet Russia on the other.

V. I. Lenin called the Treaty of Rapallo an exemplary peace policy. It breached the West's anti-Soviet position. It was a precedent that gave serious advantages to the Soviet republic and significantly strengthened its position. The Treaty of Rapallo frustrated Western plans aimed at the economic and political enslavement of the RSFSR: other European countries soon thereafter embarked on a policy of developing cooperation with the Soviet republic. The Soviet interpretation of the first point of the Cannes resolution was formulated in terms of international law for the first time in the Treaty of Rapallo.

III

At the Conference of Genoa, the Soviet delegation directly linked the prospects for economic cooperation of countries belonging to two different systems to

*V. I. Lenin, Op. cit., Vol 42, p 104.

the task of preserving peace in Europe. Such a formulation of the question stemmed from Lenin's assessment of disarmament as the "socialist ideal."*

"The Russian delegation," G. V. Chicherin stated, "intends...to propose universal arms reduction and to support all proposals aimed at reducing the burden of militarism given the reduction of armies by all countries and the amendment of the rules of warfare to include the total prohibition of its most barbarous forms...."**. At the same time, the Soviet delegation emphasized that Russia's sole condition was full and unconditional reciprocity and the creation of the necessary guarantees against any manner of attack on Russia and against intervention in its internal affairs.

Clarifying the Soviet stand on disarmament in an interview with the London EVENING NEWS, G. V. Chicherin observed: "In our opinion, the general review of European armaments is a most important question meriting universal attention. We are prepared to agree with such a political course if only our agreement leads to the elimination of the very factors that generate the threat of war."

At the Conference of Genoa, bourgeois countries rejected the disarmament scheme proposed by the RSFSR. This was evidenced by the harsh words of L. Barthou who demanded that it be removed from the agenda entirely and by the statement of D. Lloyd-George who tried to drown disarmament problems in abstract discussions of the problem of "creating an atmosphere of peace," etc. In the 1920's and 1930's, the Soviet Union advanced numerous proposals on disarmament and arms reduction (inter alia within the framework of an international conference on the given question) while bourgeois countries frequently tried to use the given negotiations for selfish imperialist interests to the detriment of other partners. The West frequently urged the unilateral weakening of the Soviet Union, which violated the important principle of equal security. This can also be said in full measure regarding some past and present arms limitation talks.

The leadership of the CPSU and the Soviet state has ever concentrated its attention on arms limitation and disarmament. After World War II, the Soviet Union introduced numerous plans and proposals aimed at total or partial disarmament or arms reduction. In 1946, the USSR presented a draft convention of the total and unconditional prohibition of the production and use of atomic weapons. At the same time, at the UN General Assembly the USSR repeatedly proposed the reduction of conventional armaments and armed forces. Soviet proposals of 10 May 1955 were an important step in the disarmament struggle. They aimed at the regulation of international disputes, at the improvement of the general international atmosphere and called for a strict system of disarmament controls. At the 14th Session of the UN General Assembly (1959), the Soviet Union introduced a resolution calling for the general and total disarmament of all countries. The USSR also introduced proposals calling for disarmament at subsequent sessions of the UN General Assembly. However, the initiatives of the Soviet Union met with the opposition of Western powers undermining the cause of genuine disarmament.

*V. I. Lenin, Op. cit., Vol 30, p 152.

**"Dokumenty vneshney politiki SSSR" [Soviet Foreign Policy Documents], Vol V, p 193.

The Soviet Union has been highly active in the work of the Disarmament Commission in Geneva. A major success in the struggle for disarmament was the conclusion of the Moscow Agreement in 1963 by governments of the USSR, Great Britain and the USA. The agreement banned the testing of nuclear weapons in the atmosphere, in space and under water. In 1968, a nuclear weapons nonproliferation treaty submitted in the name of the Soviet Union and the United States of America was signed.

Considerable successes on the road to curbing and halting the arms race were achieved in the 1970's. It is sufficient to recall the Treaty Limiting Underground Nuclear Explosions for Peaceful Purposes concluded between the USSR and the USA in 1976, agreements aimed at preventing accidental nuclear war, the most important Soviet-American agreements on the limitation of strategic arms and missile defense systems, and many other international documents.

As is known, long and arduous Soviet-American talks culminated in the signing of SALT-2 which reflected the precisely adjusted balance of the interests of the signatories. However, the U. S. administration is to blame for the fact that the treaty has not yet taken effect. What is more, Washington now links the continuation of the SALT process to the implementation of the program of augmenting U. S. strategic power and is essentially working to augment rather than reduce strategic arms. As regards the Soviet Union, it consistently favors the continuation of the SALT process, genuine limitations and reductions of strategic armaments based on the principle of parity and equal security and the earliest possible renewal of the talks.

The fact that there has been no substantial lowering of the level of military confrontation between East and West in the years that have elapsed must not be the basis for the total abandonment of serious attempts to achieve arms limitation. To the contrary, the fulfillment of the given task requires the manifestation of the love of peace and good will of all interested parties and not just the USSR alone. L. I. Brezhnev answered questions put to him by the American NBC television company regarding measures that would make it possible to put an end to the confrontation as follows: "It is important that governments and statesmen fully realize that peace and confidence in tomorrow are the most important concerns of all peoples on the planet. And, of course, it is even more important that this be embodied in the practical policy of states...We must seriously concern ourselves with curbing and eliminating armaments."*

The struggle to reduce the threat of war and to curb the arms race has been and continues to be the primary direction of international policy of the CPSU and the Soviet government. The 26th Party Congress advanced an entire complex of foreign policy initiatives designed to reduce tensions in various regions of the world. Of greatest importance in the present stage are proposals to restrict the arms race in Europe that would make it possible to avert the nuclear threat presented to the continent by the deployment of American medium-range missiles in Europe. In Geneva, Soviet-American talks on medium-range weapons in Europe began in late November 1981. L. I. Brezhnev emphasized that the key to success in the talks lay in "the observance of the principle of parity and equal security by both sides...The agreement must...take into account differences in the geography of the Soviet Union and the USA and a number of other factors."**

*PRAVDA, 22 December 1981.

**Ibid.

A major success of the peaceloving foreign policy of the USSR was the adoption by the 36th Session of the UN General Assembly of a declaration submitted by the Soviet Union which solemnly proclaimed that "the first countries and statesmen to resort to the use of nuclear weapons would be guilty of a most heinous crime against mankind."* In his address at a plenary sitting of the session, A. A. Gromyko, member of the Politburo of the CPSU Central Committee and USSR foreign affairs minister, declared that there can be no bases, motives, circumstances, situations, or principles that would give countries the right to be the first to use nuclear weapons. "...There will never be justification or forgiveness," he said, "for those who would reach the decision to be the first to employ nuclear weapons."**

IV

The 60 years that have elapsed since the Conference of Genoa have been noteworthy for the unceasing effort of the CPSU and the Soviet state to implement the Leninist principle of peaceful coexistence, to enrich and develop its ideological and theoretical significance. Back in the 1920s, the USSR concluded a whole series of political agreements with the majority of capitalist countries. These agreements usually included provisions regarding nonaggression and neutrality, the maintenance of normal political relations, trade, cultural exchanges, etc. The understanding of the policy of peaceful coexistence was substantially enriched during the period of struggle against the fascist menace in Europe. In 1933, the USSR advanced proposals concerning the creation of an effective system of collective security in Europe in the struggle against Hitler Germany. The given measures included bilateral agreements, security pacts and joint actions by a number of countries in the West and in Eastern Europe. The USSR signed agreements with France and Czechoslovakia, attempted to erect a barrier to the fascist penetration of the Balkans, and conducted negotiations with representatives of Great Britain and France on joint measures to counteract the fascist menace. And it was by no means the fault of the USSR that a system of collective security was not created and that a world war was not averted.

During World War II, the Soviet Union made a decisive contribution to the defeat of the aggressor and made unceasing efforts to strengthen the anti-Hitlerite coalition, to create favorable conditions that hastened the defeat of Hitler Germany and its allies. At the same time, it showed a great deal of interest in the continuation of postwar collaboration with countries in the antifascist coalition in the name of restructuring the world along democratic lines and the eradication of conditions that lead to war. This was the specific objective pursued by Soviet proposals at the Teheran, Yalta and Potsdam conferences of the great powers. However, immediately after the war ended, the Western powers began repudiating previously agreed upon resolutions, adopted a "cold war" policy against the USSR, a policy of dealing "from the position of strength." But even under these conditions, the Soviet Union did its utmost for peace and the policy of peaceful coexistence between countries belonging to different social systems.

*PRAVDA, 23 September 1981.

**Ibid.

It took almost the half-century that elapsed since the Conference of Genoa for the peaceful coexistence principle to be recognized by the leading capitalist countries as the only intelligent basis of international cooperation. This took place in the 1970's when a new balance of power developed in relations between countries belonging to the two systems. The economic and defensive might of the socialist community and its political authority in the world had grown by that time. The positions of the international communist, labor and national liberation movement were strengthened and there were favorable conditions for the restructuring of international relations along the lines of peaceful coexistence.

At the 24th CPSU in 1971, L. I. Brezhnev presented the Peace Program which expressed the essence of the party's international policy in concentrated form. The program articulated not only the main directions of Soviet foreign policy but also had a substantial impact on the development of international relations in general. The leading place in the program was taken up with political relaxation in Europe, with the strengthening of security on that continent, and the recognition of the results of World War II by all European countries, the USA and Canada. Under the new historical conditions, the problem was to organize all-European cooperation which already at the time of the Conference of Genoa formed the basis of Soviet peace proposals. But in the early 1920s, only relative successes were realized in its resolution: the prejudice of bourgeois politicians against the young socialist state was too great and international life had not yet experienced the factors that would compel them to seriously revise their approach to the Soviet Union. Not until the late 1960's and early 1970's did a certain segment of the ruling circles of capitalist countries conclude the necessity and urgency of detente.

The principles of peaceful coexistence between countries belonging to different sociopolitical systems were set forth in legal form in numerous international documents. As examples, one can name the Soviet-French declaration of 1966 and agreements of the USSR, Poland, the GDR and the Czechoslovakian SSR with the Federal Republic of Germany in the early 1970's, documents signed by the Soviet Union, Great Britain, Italy and other countries. The Soviet-American document "Principles of Interrelations Between the Union of Soviet Socialist Republics and the United States of America" (1972) had a favorable impact on political relaxation.

The signing of the charter of peaceful coexistence--the Concluding Act of the Conference on Security and Cooperation in Europe--on 1 August 1975 was an outstanding evidence of all-European cooperation. Countries in the socialist community advanced the idea of convening such a conference back in the 1960's but they succeeded in making it a reality as a result of their consistent policy. Conference nation-participants belonging to different social systems committed themselves to basing their relations on reciprocal legal interests, on nonintervention in each other's internal affairs and other principles of peaceful coexistence. The Concluding Act was also signed by the USA and Canada.* Peaceful coexistence between countries belonging to the two systems continues to develop despite mounting demands of Washington to "burn bridges with Moscow," despite the efforts of opponents of detente on the European continent.

*As a result of its disagreements with European imperialist countries, the United States did not participate in the Conference of Genoa even though it did take part in its preparation and sent an observer to the conference. Canada was represented at Genoa among other British dominions.

Today the position of detente is strongest specifically in Europe. Europe retains the real potential for turning the development of events in the direction of the strengthening of peace, which could have the most favorable consequences for the situation on the continent, for Soviet-American relations, for the fate of the world in general. However, paradoxical as it may be, the most serious threat to international security may also originate in Europe, especially if NATO makes good its plans to deploy new nuclear missile weaponry on European soil.

A significant element in the further realization of the principle of peaceful coexistence is its diffusion to all peoples and regions on the planet. The world cannot be the property of certain countries or regions--in such an event no system of international security would be stable. From the first years of existence of the Soviet state, the Communist Party tried to secure the inclusion of all oppressed peoples that were still, in the words of V. I. Lenin, "the object of the international policy of imperialism"* in the international community on an equal footing. Sharing his impressions on the Soviet program in Genoa with V. I. Lenin, G. V. Chicherin wrote that "it must include all oppressed colonial peoples in the international scheme,,The novelty of our international scheme must consist in the fact that Negro,like other colonial peoples would participate on an equal footing with European peoples in conferences and commissions and would be entitled to disallow intervention in their internal life. The other novelty must consist in the obligatory participation of workers' organizations. ...It is also necessary to establish the principle of nonintervention of international conferences and congresses in the internal affairs of individual peoples. There must be voluntary cooperation and assistance to the weak by the strong without the former being subject to the will of the latter. As a result, we have a very bold and completely new proposal: a world congress with the participation of all peoples on earth on the basis of full equality, on the basis of the proclamation of the right of self-determination,"** In response to G. V. Chicherin's letter, on 14 March 1922 V. I. Lenin wrote a special note in which he praised his proposals and called them "excellent." At the Conference of Genoa, the Soviet delegation advanced the proposal to convene a World Congress and to recognize the right of all peoples to determine their own fate.

Under the international conditions of those years, such an idea did not find the support of bourgeois countries, many of which had vast colonial empires. Even today, imperialism is trying to prevent the developing countries from escaping the sphere of its economic dominance. In the spirit of Leninist principles, the Soviet Union and other countries in the socialist community consistently support the policy of countries liberated from colonial dependence which is directed toward the creation of a new international economic order.

The interrelationship of the policy of peaceful coexistence in all its most important aspects (normalization of international relations and political relaxation, economic cooperation, and the relaxation of military tensions) with the general course of mankind's socioeconomic progress becomes more and more obvious

*V. I. Lenin, Op. cit., Vol 39, p 327.

**Cited in: V. I. Lenin, Op. cit., Vol 45, pp 36-37.

and urgently necessary. It is specifically this problem that is the central problem in the program for the further struggle for peace, international security, and freedom and independence of peoples. The decisions of the 26th Congress which developed the peace program for the 1980's were also devoted to this problem.

The present international situation differs strikingly from the situation that existed 60 years ago, at the time of the Conference of Genoa. While the united front of imperialist powers of the time was opposed by a single socialist state--the Soviet republic weakened by long years of war and economic ruin, world socialism today is the most influential force of modern time. At the same time, there are certain common features in the development of international relations in 1922 and today: then and now there were critical moments in the evolution of world politics.

As noted in the document of the Politburo of the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the USSR Council of Ministers on the visit of L. I. Brezhnev to the Federal Republic of Germany, a unique feature of the present period is that we are now faced with a tense, very important moment in international relations "when they may deteriorate dramatically or turn for the better." In the Report of the CPSU Central Committee to the 26th Party Congress, L. I. Brezhnev focused attention on the intensive struggle between the two directions in world politics: the policy of curbing the arms race, of strengthening peace and detente, the protection of the sovereign rights and freedom of peoples and the policy aimed at undermining detente, at stepping up the arms race, the policy of threats and intervention in the affairs of others. Even now there are two groups among the world bourgeoisie: the extremely reactionary group that will stop at nothing in its effort to retain its previous dominance and a realistically thinking group that does not in principle reject the possibility of dialogue and agreements with the forces of socialism, peace and progress.

A report on the Conference of Genoa was delivered at a 17 May 1922 sitting of the All-Russian Central Executive Committee. The text of the resolution was signed by V. I. Lenin. The ARCEC praised the work of the Soviet delegation, stressed the special importance of the disarmament proposal and noted that the pronouncements of the RSFSR delegation in Genoa expressed not only the interests and desires of the working masses of Russia but also the vital interests of working people of the entire world and of all oppressed and enslaved peoples and nations. "...The entire course of international relations of late," the resolution of the ARCEC noted, "attests to the inevitability of the temporary ~~existence of Communist and bourgeois systems of ownership in the given stage~~ of historical development and compels even the most implacable enemies of Soviet Russia to seek avenues of agreement with the communist system of ownership after 4 years of their efforts to eradicate this system forcibly failed."*

In 1922, the Soviet republic for the first time presented questions of cardinal importance for all people on earth at a major international forum. At that time it was difficult to resolve these problems. Since that time we have

*"Dokumenty vneshney politiki SSSR" [Soviet Foreign Policy Documents], Vol 5, p 385.

traveled a 60-year road noteworthy for the historical accomplishments of socialist foreign policy. In the early 1980's, the 26th CPSU Congress offered an in depth analysis of the present period of world politics and showed the specific types of steps that must be taken in order to change the situation in the direction of security and peace. The materials of the congress graphically indicate that Soviet foreign policy firmly adheres to Leninist ideas. The Communist Party, the CPSU Central Committee and its Politburo headed by L. I. Brezhnev are energetically and consistently struggling to mobilize all peaceloving forces against the threat of war and for the preservation of peace and everything good achieved in the 1970's. The Report of the CPSU Central Committee to the 26th Party Congress emphasized: "Today there is no more important international task for our party, our people and all peoples on the planet than the defense of peace."

The tasks formulated by the 26th Congress in the realm of foreign policy are complex and must be resolved in a complex international situation. However, today imperialism is confronted by a mighty community of forces that are fighting for peace, disarmament, the socioeconomic renewal of the planet and broad international cooperation. The policy of peaceful coexistence has a reliable ideological and theoretical foundation, a wealth of historical experience and the firm support of the peoples. The future belongs to this policy.

✓ COPYRIGHT: Izdatel'stvo "Pravda", "Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1982.

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✓ CSO: 1816/7

CEMA SUCCESSES REFUTE WESTERN PREDICTIONS OF FAILURE

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 82
(signed to press 23 Mar 82) pp 18-29

[Article by K. Luft and Ye. Stepanova: "Socialist Economic Integration and Its Bourgeois Critics"]

[Text] With the growth of the authority and influence of the community of fraternal countries and the strengthening of its positions in the international arena, the ideologues of anticommunism are mounting ever more massive attacks on the theory and practice of world socialism. As L. I. Brezhnev emphasized at the 26th CPSU Congress, for the West, the ideological struggle "is not limited to a confrontation of ideas. It employs a whole system of means designed to undermine the socialist world and soften it up.

The imperialists and their accomplices conduct systematic campaigns of hostility against the socialist countries. They denigrate and distort everything that happens in these countries. For them, the main thing is to turn people away from socialism."

Socialist economic integration within the framework of the Council for Mutual Economic Assistance is one of the objects of the attacks. Throughout the entire period of CEMA activity, apologists of capitalism have tried to discredit the very idea of socialist economic integration, to distort the essence of processes taking place within the community, and have done their utmost to capitalize on the difficulties that inevitably arise on the new and difficult road.

I

In the relatively recent past--in the 1950's and 1960's--Western assessments of the perspectives of development of socialist economic integration were practically unanimous: almost in one voice bourgeois economists and ideologues unconditionally declared its "lack of prospects," "its lack of viability" and predicted the "inevitable doom" of the CEMA.

These "predictions" suffered the same fate as many other prophecies of this ilk. Despite the hysterics of numerous "experts," the economic collaboration of socialist states within the CEMA not only stood the test of time but is also gaining momentum and is encompassing more and more spheres. From the organization

of such traditional forms of cooperation as foreign trade to the increased intertwining of national economic structures on the basis of specialization and cooperation in production (approximately 120 multilateral and over 1000 bilateral agreements of this type have already been concluded), the coordination of national economic plans, the implementation of special long-term programs designed to facilitate the solution of the most pressing problems in the national economy--such has been the road traveled by participants in socialist integration in the course of slightly more than 3 decades.

The cooperation of CEMA member nations in the area of joint planning is being improved with regard to the new, higher demands. In particular, the coordinated plan of multilateral integration measures--an important connecting link between the Comprehensive Program and the national plans of the Council's participating nations--which was adopted back in the mid-1970's is being successfully implemented. The plan provides for the joint effort of interested CEMA member nations in the construction of a large number of production, power generating and transport projects and facilities in the USSR and on the territory of certain other participants in the integration program. Examples of such cooperation are the already built "Soyuz" gas pipeline, the high-voltage power transmission line between Vinnitsa (USSR) and Albertirsha (Hungarian People's Republic), the first phase of the Ust'-Ilimskiy Pulp and Paper Combine, etc.

Today no one can deny that countries in the socialist community united in the CEMA are the most dynamically developing group of countries in the world. While approximately 10 percent of the planet's population live in CEMA countries, their share in world national income is higher than 25 percent, compared with roughly 15 percent in 1950. CEMA countries account for approximately one-third of the world's industrial output compared with 18 percent in 1950.* The economic growth rates of countries participating in the socialist integration program in the last decade were two times higher than the growth rates of the industrially developed capitalist countries. Agricultural output in CEMA countries is also increasing at a significantly faster rate than in the capitalist world.

CEMA member nations have attained the level of West European countries in the per capita consumption of basic foodstuffs and many durables. What is more, their citizens enjoy guaranteed employment, free education and medical care and other social benefits that working people in the West can only dream about. And yet, before embarking on the socialist path, most of the CEMA countries were backward and underdeveloped. Moreover, they suffered colossal damage during World War II and during the protracted "cold war" period were subjected to a harsh trade embargo by the imperialist countries.

As emphasized in the Communique on the 35th Session of the Council for Mutual Economic Assistance, which discussed in particular reports of the Executive Committee on the implementation of the Comprehensive Program and tasks in the further intensification and improvement of the cooperation of CEMA member nations in the 1980's, the implementation of this course "promoted the unification of efforts of CEMA member nations in the interest of resolving key national economic

*"Sovet Ekonomicheskoy Vzaimopomoshchi. 30 let" [30 Years of the Council for Mutual Economic Assistance], Moscow, 1979, p 8.

problems; the strengthening of their might, political unity, solidarity and international authority; the dynamic, stable development of national economies; the rise of working people's living standard; the intensification of the international socialist division of labor; and the equalization of levels of their economic development."

The CEMA will be faced with problems of even greater magnitude in the 1980's. They will undoubtedly be a time in which the technical level of production will be raised, the quality indicators of production will be improved, and the effectiveness of production will be increased. This presupposes the further improvement of the socialist integration mechanism and the maximum utilization of its inherent potential.

The basic advantages of socialism, of the new type of international relations, and of socialist economic integration are especially discernible against the background of the unstable crisis state of the capitalist economy.

The actual accomplishments of the Council for Mutual Economic Assistance and the broad perspectives of the further development of socialist integration indicated at CEMA sessions could not fail to have a certain impact on Western assessments of that organization's activity. Declarations built on sand regarding its "lack of prospects" and "lack of viability" gradually gave way to more cautious pronouncements.

Thus in the early 1970's, R. Mellor, a professor at Aberdeen University (Great Britain), urged his colleagues to study the experience of the Council for Mutual Economic Assistance carefully. "Irrespective of any new interpretations of Marxism," he wrote, "it should be admitted that the CEMA is a growing force."* At roughly the same time, famed "sovietologist" S. Wasowski, in an effort to "rehabilitate" in some measure Western prognostication with its recent "prophecies" of the "inevitable collapse of the CEMA," made a curious admission: "We in the West have difficulty understanding the communist type of integration. We usually evaluate efforts to implement it on the basis of theoretical and practical criteria developed in industrial countries with a market economy."**

It is noteworthy that while such pronouncements were relatively rare in the early 1970's, with the implementation of the Comprehensive Program an ever increasing number of bourgeois specialists came to recognize to one extent or another the successes of CEMA member nations in socialist economic integration and to evaluate the activity of capitalist integrated groupings such as the Common Market much more critically. A definite reappraisal of this type was clearly manifested in statements by some representatives of Western countries (both theorists and laymen) at the congress of the International Political Science Association held in Moscow in August 1979 and at the international symposium on problems of all-European cooperation in Varna (Bulgaria) in May 1981.

*R. E. H. Mellor, "Comecon: Challenge to the West," New York, 1971, p 146.

**S. Wasowski, "Economic Integration in the Comecon" (ORBIS, No 3, 1972, p 761).

II

However even today there are numerous Western "experts" who express doubt regarding the applicability of the very term 'integration' to CEMA. They capitalize on certain difficulties and not yet resolved problems that are candidly discussed at Council sessions, try to minimize the significance of already attained results in the integration process and question the possibility of realizing the objective of further intensification and improvement of cooperation within the framework of CEMA. They also are unceasing in their attempt to distort the essence of relations between its members.

Critics of socialist integration make a special effort to discredit the Soviet Union's policy vis-a-vis its partners in the Council for Mutual Economic Assistance and to prove its supposedly "great-power" character. The basic "argument" is that the USSR which possesses enormous economic and scientific-technical potential and resources now as in the past does not in principle need integration and that its participation in integration is determined by purely political considerations: by the intention to "tie" its neighboring countries to itself in an economic sense on the basis of its "hegemonistic aspirations."

Such a "discovery" is made, e. g., by Swiss researcher B. Tomsa and West German economists W. Gumpel and B. Meissner.* In the "profound" opinion of the latter, "the principle of proletarian internationalism...merely means the ideological perephrasing of the Soviet hegemony which has as its goal the creation of state unity along federal lines in the course of the integration process."**

This is an ill-intentioned attempt to distort the essence of the fundamentally new type of relations that have developed between socialist countries. Bourgeois ideologues prefer to simply ignore the fact that these relations are based on comradely cooperation and mutual aid, on the practical realization of the rights of nations to self-determination and to create their own statehood. The equating of the principle of proletarian internationalism with a contrived "Soviet hegemony" reveals the design of adherents of the capitalist system: to ascribe to reciprocal contacts between socialist countries the traits of competitive selfishness that are characteristic of the international relations of capitalist countries.

The structure of trade within the CEMA, the bilateral and multilateral agreements, special long-term programs implemented within the framework of CEMA, etc., are viewed through the prism of "Soviet hegemonism." In the fantasies of bourgeois economists and ideologues, all these directions of cooperation reflect the attempt of the USSR to place its integration partners in a state of total "dependence" on the Soviet Union.

*See B. Tomsa, "CEE-CAEM: vers la normalisation des relations" (REVU DU MARCHÉ COMMUN, No 209, 1977, p 371); W. Gumpel, "Der Rat für gegenseitige Wirtschaftshilfe als Instrument Sowjetischer Hegemonie" (OSTEUROPA, No 11, 1976, p 999).

**B. Meissner, "Aussenpolitik auf dem XXV Parteitag der KPdSU" (AUSSENPOLITIK, No 2, 1976, p 135).

Thus, P. Marer, a famous Western "expert on Eastern questions," claims--without bothering to furnish any manner of substantiation--that after the creation of the CEMA, the Soviet Union supposedly foisted its model of industrialization on the other members of this organization. Thereby, Marer explained, it "imposed restrictions on the interaction of East European countries with one another and thus increased their dependence on itself."*

Proclaiming the "impossibility" of equal cooperation between a great power and other socialist countries, at the same time attempt to substantiate the feasibility of the integration of individual members of the CEMA without the participation of the USSR. "Economic prerequisites (economic structure, size of domestic market, availability of natural resources and manpower)," West German economists J. Bethkenhagen and H. Machowski aver, "make the economic association of such countries as the German Democratic Republic, the Czechoslovakian Socialist Republic, the Polish People's Republic and the Hungarian People's Republic rational. This would enable these countries to pursue a coordinated economic policy...including trade relations with third countries."**

It is easy to see how remote all these falsifications, fantasies and speculations and the "recommendations" based on them are from reality. The facts show that it has specifically been with the participation and help of the USSR that the CEMA member nations have built the material foundation of a new society in a relatively short period of time. In the first decade of existence of the Council (from 1949 to 1959) alone, the Soviet Union transferred to its CEMA partners 926 sets of plans for various capital construction projects, 3540 blueprints for machinery and equipment, and 1307 descriptions of technological processes. During the given period, it in turn received from them 205 sets of similar plans, 1779 machinery and equipment blueprints and 1400 descriptions of technological processes.***

Under the last five-year plan, countries in the socialist community put 490 large projects into operation with the assistance of the USSR.**** Soviet deliveries of machinery and equipment play an enormous role in the modernization of industry and in the development of other branches in the economy of the Soviet Union's CEMA partners. They account for approximately one-third of their imports of the given products. The world's first socialist country satisfies almost all the Council members' import requirements for oil and pig iron; iron ore and lumber--80-90 percent; petroleum products, phosphorus fertilizers and rolled metals--three-fourths; and hard coal, cotton and manganese ore--more than three-fifths.***** Notwithstanding the higher cost of extracting oil, the Soviet Union--

*P. Marer, "East European Economics: Achievements, Problems, Prospects" (COMMUNISM IN EASTERN EUROPE, London, 1979, p 263).

**J. Bethkenhagen and H. Machowski, "Integration im Rat fur gegenseitige Wirtschaftshilfe," Berlin/West), 1976, p 77.

***B. Dyakin and B. Pankov, "SEV: problemy integratsii" [CEMA: Problems of Integration], Moscow, 1979, p 17.

****VNESHNYAYA TORGOVLYA, No 6, 1981, p 2.

*****V. P. Sergeyev, "Mezhdunarodnoye sotsialisticheskoye razdeleniye truda: pokazateli i tendentsii razvitiya" [The International Socialist Division of Labor: Indicators and Trends of Development], Moscow, 1979, p 192.

faithful to the obligations it has assumed--will continue to deliver this raw material to its integration partners at the 1980 level in the present five-year plan and will increase these deliveries to almost 400 million tons compared with 370 million tons in 1976-1980. It should be noted that the USSR supplies oil to fraternal socialist countries at prices that are significantly lower than the world prices.

✓ Obviously if other CEMA member nations were isolated and cut off from the mighty potential of the USSR, they would be deprived of stable and relatively inexpensive deliveries of raw materials and fuel, would encounter the fluctuations of the world capitalist market in the sale of their finished goods, and would be totally dependent on the West. Without their cooperation with the Soviet Union, they would also find it impossible to cope with such large scale, vitally important problems as the development of the energy base, the enjoyment of advances in the scientific and technological revolution, etc. In other words, there is no alternative for social integration partners of the USSR that would give them the same economic advantages, stability of development plus political independence and sovereignty at the same time.

This point has been repeatedly emphasized in the pronouncements of leaders of fraternal socialist countries. "With the development of socialism in the GDR," E. Honecker observed at the 10th Congress of the Socialist Unity Party of Germany, "there is closer and closer economic and scientific-technical cooperation with the Soviet Union and its significance for the stability and dynamism of our economy increases. Our national economies become more and more interwoven, and the unification of their efforts permits our countries--united by the bonds of brotherhood--to proceed faster and with greater certainty along our joint path...Of vital importance to the GDR are the deliveries of fuels and raw materials which are coordinated with the USSR and in general broad cooperation in this area."

Speaking of the enormous role that multilateral ties with the USSR play for Czechoslovakia, G. Husak emphasized at the 16th Congress of the Communist Party of Czechoslovakia: "...Cooperation with the Soviet Union permits the uninterrupted development of our national economy and the resolution of vitally important problems of scientific and technical development. It helps them to develop technology at the level of world standards, to obtain raw materials and energy and also guarantees an advantageous and stable market. This cooperation helps us to attenuate the negative influence of crises in the capitalist world on our economy."

The exceptional economic and political significance that the alliance with the USSR has acquired for countries in the socialist community has been most graphically manifested at times when there have been various difficulties and even crises in the development of its individual members as has been the case, for example, in people's Poland in the last 1.5 years. "In such a situation," W. Jaruzelski noted in his address before the representative assembly of the Polish People's Republic, "it can be seen with special clarity what stable, long-term, equitable economic cooperation with the Soviet Union and other CEMA countries means to Poland. Countries in the socialist community show understanding in this trying time and render us invaluable internationalist assistance."*

*PRAVDA, 27 January 1982.

If for the Soviet Union's partners in socialist integration, participation in the integration is a decisive factor in the strengthening of state sovereignty, is a reliable defense against economic blackmail by imperialism, and is a necessary condition to mutually advantageous relations with developed capitalist countries, it is of no less significance for the Soviet Union. Cooperation within the framework of the Council for Mutual Economic Assistance makes it possible to utilize the advantages of the international division of labor, opens up additional possibilities for resolving economic problems, reduces costs, saves time, increases the effectiveness of production, and accelerates scientific and technical progress. As L. I. Brezhnev emphasized at the 26th CPSU Congress, "it is now impossible to imagine the confident development of one or another socialist country or its successful solution of such problems as the development of science and technology without ties to other fraternal countries."

Trade with CEMA member nations comprises a large part of Soviet foreign trade. The Soviet Union's economic relations with its integration partners have a reliable future and are constantly expanding. In his address at the 35th Session of the CEMA (July 1981, Sofia), N. A. Tikhonov, head of the Soviet delegation, noted the considerable benefits that the Soviet Union derives from cooperation within the framework of the Council for Mutual Economic Assistance. "Under the last five-year plan, CEMA countries supplied up to 40 percent of the vessels needed to replenish our fleet, 35 percent of the new passenger coaches, 12 percent of the buses, and up to 15 percent of our retail trade inventories of ready-to-wear clothing, footwear, furniture, and canned goods. Under the new five-year plan, the Soviet Union will import more than 60 million rubles' worth of modern machinery and more than 40 billion rubles' worth of consumer goods in exchange for its products."

Participation in socialist economic integration by countries that differ significantly in their economic and scientific-technical potential, resources, land area, etc., unquestionably determines the concrete historical particulars of this process to a considerable degree and injects certain specific features into the process.

As is known, the Soviet Union produces more than two-thirds of the industrial and agricultural output of CEMA member nations. It accounts for 80 percent of the scientific and technical potential and approximately 40 percent of the trade turnover of the socialist community. The USSR is one of the richest countries in the world in the variety and scale of minerals. It possesses almost 90 percent of the total surveyed volume of energy resources in CEMA countries, including 91 percent of the hard coal, 72 percent of the brown coal, almost 80 percent of the natural gas, major oil reserves, and 94 percent of the hydro power. Accordingly, it is objectively conditioned that the economic requirements of the Soviet Union now play and will continue to play an appreciable role in determining the direction of cooperation. The same can also be said of Soviet proposals on securing the more rational and economical use of natural resources in the long run, on better ensuring the complementarity of national economic structures participating in the socialist integration of countries, and on the realization of their economic potential more completely. "The resolution of this problem," L. I. Brezhnev noted at the 26th CPSU Congress, "requires a responsible approach on the part of managers and party workers and a good understanding of the indissoluble communality of interests of fraternal countries."

As regards the Soviet Union, the country that has not only the greatest economic and scientific-technical potential among CEMA members but also has the greatest experience of socialist construction, examples have already been cited above on how the current economic interests of the USSR are subordinate to the long-term goals of development of the entire socialist community. But in the principle of forming prices on export and import goods, in the terms for granting credits and technical aid as well as scarce resources--especially fuels--there are everywhere clearly apparent features of a new type of economic relations in which there is no place for national egotism.

They are seen most clearly in the all-round assistance that is rendered by the USSR and the more economically developed CEMA member nations to their partners who were relatively late in embarking on the path of creating modern industry and agriculture. Owing to the aid that is rendered, the economic growth rates of those socialist countries that have inherited a low level of development (in the case of the European socialist member nations of CEMA, this refers primarily to Bulgaria and Romania), have been considerably higher for a long period of time than the corresponding indicators of the more developed countries.

This is in particular evidenced by the growth rates of national income. In 1951-1979, it increased 10.6 fold in Bulgaria; Romania--14 fold; Poland--6.7 fold; GDR--6.1 fold; Hungary and CSSR--4.8 fold.*

As a result of the relatively more rapid growth rate of national income, such countries as Bulgaria and Romania have now attained the level of Hungary, Czechoslovakia and the GDR with regard to many economic indicators. Estimates by the International Institute of Economic Problems of the CEMA World Socialist System show that while in 1950 the gap between the ~~most~~ and least economically developed members of the Council was: 3.2:1 for per capita national income; 5:1 for per capita industrial output; and 2:1 for agricultural output, the corresponding figures in 1979 were: 1.4:1, 2:1; and 1.7:1.

Thus the equalization of levels of economic development within CEMA takes place at a rapid rate. This means the successful resolution of one of the most important economic and political problems confronting the socialist community. This opens up to its members new and still broader prospects for multilateral cooperation on the basis of given programs of integration measures.

III.

Evidently realizing the very limited ideological effectiveness of frontal assaults on socialist integration, some bourgeois ideologues prefer to act with a greater degree of flexibility and sophistication. Of late, they have increasingly advanced the thesis of "identity" of integration processes under socialism and capitalism with the aim of glossing over fundamental differences between them. The need for integration in constructs of this type is adduced exclusively from demands for the development of the productive forces. The character of production relations, however is simply not taken into account.

*Computed according to: "Narodnoye khozyaystvo stran-chlenov SEV. Statisticheskiy sbornik. K 30-letiyu obrazovaniya SEV" [The National Economy of CEMA Member Nations. Statistical Collection. On the 30th Anniversary of the Formation of the CEMA], Moscow, 1978, p 59; "Statisticheskiy yezhegodnik stran-chlenov SEV" [Statistical Yearbook of CEMA Member Nations], Moscow, 1980, p. 41.

As a typical example, it is possible to cite a "universal" scheme of the well-known British economist J. Pinder of the British Political Research Institute, which he expounded at the International Political Science Congress in 1979. He believes that a certain level of scientific and technical progress requires a greater degree of international division of labor, which in turn leads to economic integration, which takes the form of the political integration of the participating countries as it develops.* Thus he deliberately ignores production relations as a qualitative aspect in all integration processes.

Their "identity" under capitalism and socialism is frequently reinforced by references to such similar economic problems as the fuel-energy problem, the need to protect the environment, the use of electronics and other aspects of scientific and technical progress, etc. The concept of "regional economic integration" has gained currency in the West. In addition to the demand for the roughly equal scientific and technical development of the countries, great importance is attached to their territorial proximity whereas differences of a socioeconomic nature are either pushed into the background or are ignored altogether.

Some bourgeois ideologues even try to prove that the production of the necessary data associated with the use of computers in a planned socialist economy requires an increased degree of independence of the enterprise and the slackening of its ties with the state. In his opinion, the technological revolution could even result in the emergence of a new social system. The final conclusion of this conjecture is the need for convergence (or according to the definition of Western specialists, "co-integration") of integration associations in the capitalist and socialist parts of the world.

The contrived and speculative nature of such constructs, which would deny the new character of international relations between socialist countries and their fraternal union based on the principles of comradely cooperation and mutual aid, is entirely obvious. Even though the trend toward the internationalization of economic life, being conditional upon profound changes in the productive forces, is indeed characteristic of both socialist and capitalist countries, it is manifested in entirely different ways under the conditions of the two opposing systems.

While socialist economic integration is based on the state (public) ownership of the means of production in CEMA member nations, state-monopoly ownership is the basis of capitalist integration. Participants in socialist economic integration are sovereign countries that determine the forms and magnitude of their participation in integration measures whereas participating nations in the EEC, for example, have transferred part of their prerogatives to transnational organs of the community.

*See J. Pinder, "Integration in Western and Eastern Europe: Relations Between the EC and CMEA. Paper for Special Meeting No 3 at the XI International Political Science Association on World Congress. Moscow, 1979, 12-18 August."

The economic integration of CEMA member nations is in the name of raising the living standard and cultural level of their peoples whereas integration in the Common Market is intended to strengthen the positions of monopolies in Western Europe in the world capitalist market. At the same time that it ensures enormous gains for big capital, it at the same time intensifies the exploitation of the working people and the growth of unemployment as a result of the "rationalization" and "optimization" of the structure of the economy of the integrating countries. The methods of government regulation, which until very recently were so noisily advertised by the "creators" of the Common Market as the panacea for all of capitalist society's afflictions, are clearly unable to prevent the decline of production, currency and financial turmoil, inflation, and the worsening of social contradictions. An army of 10 million "superfluous people" in EEC countries at the beginning of 1982--such was the lamentable result of the activity of this integrated grouping.

The basic method of socialist economic integration is coordinated and planned activity based on state plans for the development of the national economies of CEMA member nations. The capitalist integration mechanism is based on the spontaneity of the market with the characteristic free movement of goods and capital. Socialist economic integration develops on the basis of the unity of fundamental interest and equal representation of participating countries in all Council bodies. As the example of the EEC shows, capitalist integration is characterized by unceasing struggle between competing partners stemming from the differences in their interests and by the striving of its stronger members to occupy dominant positions in the Community's agencies as well as by the unequal number of votes that individual countries enjoy in the European Parliament and in the EEC Council of Ministers.

Thus the thesis of the "identity" of integration processes under socialism and capitalism is devoid of any real foundation. The socialist and state-monopoly types of integration are opposite to the same degree that the two modes of production--communist and capitalist--are incompatible.

Our ideological adversaries indirectly admit this objective fact. It is significant that the apologists of capitalism direct the brunt of their criticism of socialist integration against those of its principles which in their opinion are an obstacle to "co-integration."

Western propaganda gives top priority to picturing matters in a way that suggests that the further development of socialist integration is simply impossible because it is supposedly hindered by a number of negative features that are immanent in socialism proper. This propaganda is clearly seen in the "revelations" of Professor R. Bystricky of the Institute of International Research of the University of Geneva in Fribourg (Switzerland), who declares that socialist economic integration, while having made certain improvements in the socioeconomic situation of CEMA member nations, "is unable to eliminate internal flaws that are inherent in socialism as a system."* As a rule, such insinuations go hand in hand with the thesis

*R. Bystricky, "Le Droit de l'integration economique socialiste," Geneva, 1979, p 331.

that state planning and the coordination of plans, which at the present time even many sober-minded Western economists view as an integral element in the effective functioning of any social system, including the capitalist system, are supposedly the major obstacle to the successful development of integration and the thesis that the integration process can only be accelerated through the application of commodity-monetary instruments as the basic regulator.

Here, the integration of capitalist countries, and especially the European Economic Community, is usually used as the reference point. There are frequently quite transparent hints to the effect that certain "improvements" in the system of planning and management of the economies of CEMA member nations would substantially facilitate their cooperation with the EEC. Bourgeois ideologues, not disdaining the use of any means, try to "prove" that the leading role of communist and workers' parties, the significance of state power as the principal instrument and primary agent of the integration process as well as cooperation in the realm of planning supposedly hinder the work of the CEMA and make it ineffective.

This tactic is not new. Thus in the early 1970's, West German economist W. Gumpel maintained that during all the years it had been in existence the CEMA had not developed effective economic cooperation methods, as a result of which socialist countries were undergoing "de-integration" rather than planned integration.* Such fabrications are now followed by more candid "recommendations" which boil down to the need to replace the joint planning activity of CEMA member nations by the broad development of market relations, to the elimination of the socialist state's monopoly on foreign economic relations, to the separation of the party from the management of the national economy, etc. P. Knirsch, a "specialist" in East European affairs, unequivocally states in this regard: if within the CEMA the future development of international relations continues to be based on the state monopoly in foreign economic relations and if there is at the same time increased emphasis on the planning principle in the coordination of national economic plans, then no major changes in the cooperation of CEMA member nations and no progress in integration are to be expected.**

The "dilemma" that the Western 'theorists' attempt to foist on the socialist community betrays their design: to revise the principles that determine the functioning of the socialist integration mechanism. It is not by chance that they in their publications offer different versions of the possibility of transferring the methods of Western integration groupings to socialist soil. For example, the previously mentioned West German researchers J. Bethkenhagen and H. Machowski maintain, without any proof whatsoever, that "the future development of the CEMA is indeterminate" and that "socialist economic integration may be achieved along the same long and thorny path as the economic and monetary union of the Common Market countries. Numerous

*See OSTEUROPA, No 12, 1971, p 912.

**See P. Knirsch, "Wirtschaftsintegration im Osten nach 70 Jahren" (EUROPAISCHE RUNDSCHAU, No 1, 1979, pp 9-18).

publications hail the "advantages" of the market mechanism and depict competition as an "ideal means" for using resources effectively. They propose that CEMA member nations resolve the problems they encounter through total adaptation to the conditions of the capitalist world market, and through the free and unrestricted participation of foreign capital in socialist enterprises.

What would be the practical results of the relaxation of planning principles in the activity of CEMA member nations and especially the replacement of joint planning within the framework of this organization and the monopoly on foreign economic ties by the mechanism of regulation by the market? In such a case, the countries participating in the Council would inevitably encounter a large number of the same or similar problems that are inherent in the integration groupings of West European countries. Only on a planned basis is it possible to resolve such large-scale economic problems as the problem of supplying the national economy with energy, fuel and raw materials; the problem of effecting structural changes in the economy; and the problem of articulating the strategy of cooperation. The material and financial resources of CEMA member nations are combined on a planned basis in the interest of resolving the most important socioeconomic problems of each country and the socialist community in general.

This is why an ever greater place is assigned to the coordination of five-year plans in the development of socialist integration. There is increased emphasis on coordination as one of the principal means of forming stable and mutually advantageous production and scientific-technical relations within the community. This in turn promotes the technical retooling of the national economy of socialist countries, the growth of its effectiveness and the improved quality of machinery, equipment and consumer goods.

The commodity form of relations between CEMA members does not contradict the planned character of their cooperation. Even though commodity-monetary levers play an important part in the coordination of the general and specific interests of participating countries and in guaranteeing the principles of mutual advantage and equivalence, these levers do not in themselves determine the basic directions of cooperation and function successfully only when they are closely coordinated with and based upon planned forms. The one-sided use of the market mechanism is characteristic only of the capitalist division of labor. It is impossible to conceive of "half-planned" socialist economic integration.

Some bourgeois ideologues also see the "Achilles' heel" of socialist economic integration to be the CEMA's lack of transnational organs such as those that exist in the Common Market. Hence it is concluded that the activity of the Council boils down to the striving to attain only partial functional integration. For example, A. Schuller (Marburg University, Federal Republic of Germany) states that with regard to the CEMA, one can speak only of formal but not "real" integration since one of the main conditions to the latter--renunciation of the concept of nation as the only sovereign community--is supposedly absent here.* A similar point of view is shared by other

*See A. Schuller, "The Future of Economics in Western and Eastern Integration Policy" (INTERECONOMICS, No 9/10, 1978, p 232).

Western "experts" who believe that state sovereignty and integration are incompatible. They prefer to simply ignore the fundamentally new type of relations between socialist countries based on equality and the respect for the sovereignty and national interests of countries participating in the CEMA.

In this regard, it is appropriate to cite the opinion of those bourgeois specialists who understand the inappropriateness of approaching socialist integration with conventional Western yardsticks. As Austrian economist W. Stermann notes, "the CEMA was never conceived as an organization that would lead to the dissolution of its participants in an integrated economic region. To the contrary, this is rather an international formation which, given the strict observance of the national sovereignty of each member, promotes trade in mutually necessary goods and scientific-technical cooperation."* Even though this evaluation does not consider the fact that socialist integration has long ago gone beyond the framework of trade and is successfully developing on the basis of specialization and cooperation in production, on the joint implementation of special long-range programs, etc., W. Stermann is unquestionably correct with regard to the fundamental principle underlying the activity of the CEMA. Unlike the Common Market, the very character of interrelations within the Council for Mutual Economic Assistance excludes the possibility of establishing any manner of executive organs that possess transnational power, that encroach upon the national sovereignty of its members and hence a situation in which the interests of development of some countries are subordinate to the needs of others. This is not a shortcoming but is rather one of the basic advantages of socialist economic integration over state-monopoly economic integration.

The verbiage of bourgeois theorists and ideologues regarding "improvements" they deem necessary in the activity of CEMA in order to increase its "effectiveness" appears especially cynical against the background of the long nurtured plans of using any means to bring about the "softening" of the socialist community and the undermining of its solidarity. Illustrative in this regard are the "principles" that prompt them to urge the development of economic relations between CEMA member nations and capitalist countries. This is how the "strategic program" presented by H. D. Jacobsen (West Berlin) looks, for example. He begins with the trite, highly irritating phrase "the expansion of economic ties with Eastern Europe must serve the basic goal of restricting Soviet dominance" and further reasons as follows: "The next step in this direction could be to draw socialist countries into a system of division of labor in the Western world that would make them economically and politically dependent on the West...Our goals include not only the fragmentation of the East European countries but also the influencing of the processes within socialist society. At the same time, the striving of East European countries for independence as a counterweight to integration--a measure that is directed against the Soviet Union--given our active promotion of other socio-psychological forms of behavior and

*W. Stermann, "Die wirtschaftliche Integration im Rat für Gegenseitige Wirtschaftshilfe" (WIRTSCHAFTSPOLITISCHE BLÄTTER, No 4, 1980, p 102).

consumption must lead to such a state in which the socialist economic and social structure will initially be called into question and subsequently eliminated."*

Bourgeois ideologues are clearly not in a position to advance a positive concept of social development. Since it is losing the battle for men's minds, the only hope for the moribund order is that the centrifugal trends conceived by its apologists will lead to the "elimination" of socialism. The very fact that illusions arise is convincing evidence of the deepening crisis in bourgeois ideology.

*H.-D. Jacobsen, "Die wirtschaftlichen Beziehungen zwischen West und Ost," Hamburg, 1975, p 121.

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U. S. PUSHES JAPAN TOWARD MILITARIZATION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 82 (signed to press 23 Mar 82) pp 30-40

[Article by R. Aliyev: "Japan: The Trend Toward Militarization"]

[Text] Japan is being drawn more and more into the orbit of U. S. global strategy. As a result of the high degree of dependence of Tokyo's foreign policy on Washington's line, U. S. moves to undermine detente, to stir up tensions and intensify the arms race have produced a similar development in Japanese policy, especially with regard to the push toward militarization. This process is also stimulated by closer ties between Tokyo and Beijing.

In the late 1970's and early 1980's, the policy of Japan's ruling circles was marked by negative features associated with their direct participation in the implementation of Washington's strategy of increasing world tension. Under the cover of systematically conducted anti-Soviet campaigns, Japanese reaction is creating in the nation a psychological climate favoring militaristic preparations. The view of proponents of military force are also exerting a more and more appreciable influence on Tokyo's practical activity in foreign and military policy.

"Japan," D. F. Ustinov, member, Politburo of the CPSU Central Committee; USSR defense minister, emphasized, "is strongly influenced by Washington and Beijing...They are persistently impelling that country toward the dangerous road of militarization and of actions that are hostile to the Soviet Union. Military cooperation of Japan with the USA and China is expanding and becoming more and more varied. Revanchist forces are trying to consign to oblivion the tragic lessons of the last war and to convince the people of their country to support the rebirth of Japan as a "mighty military power."

Tokyo uses the myth of the "Soviet military threat" as an excuse for stepping up its military potential, for the militarization of the country, for increasing military allocations, and for strengthening the Japanese-American military alliance.

In the Course of the Pentagon's Plans

When Washington embarked on a policy of undermining detente at the beginning of the 1980's, it demanded that Tokyo make a greater contribution to the support of its aggressive course, especially in the implementation of U.S. global strategy in the Asian Pacific region.

Thus R. Pfalzgraf, R. Reagan's foreign policy adviser, and R. Long, commander of U. S. forces in the Pacific, urged that Japan be given the "responsibility" for patrolling the western part of the Pacific Ocean and that it be obligated to create forces to combat "enemy" submarines and naval aircraft. In their opinion, such tasks require the "full modernization" of all types of Japanese armed forces.

To all appearances, the U. S. now considers it entirely natural and necessary to increase the role of Japan in the "defense" of the Northwest Pacific in order to "free" American warships for action in other regions and especially in the Persian Gulf zone. Washington is also studying the possibility of assigning new functions to its junior partner. Thus, a group of American and Japanese foreign policy experts meeting in Tokyo in December 1980 discussed the idea of forming "appropriate restraining forces" with Japan's participation for joint actions in the Near East that "would be capable of performing various missions on the sea, on land and in the air." It is noteworthy that in October 1981, the Japanese Maritime Safety Agency, which in actuality performs the functions of a coast guard, dispatched a special armed vessel to the Persian Gulf to "protect Japanese merchant vessels and citizens in the Persian Gulf." In a report of the Joint Chiefs of Staff published in February 1982, American strategists once again demanded that Japan assume its "share of the burden of defending" the Near East and other regions that are of "vitally important interest to the West."

Joint maneuvers are a significant component of American-Japanese military activity. According to the press, during the effective period of the "security treaty," naval forces of both countries conducted 90 such training exercises and 30 air force exercises. While in the past some one branch participated, today all types of armed forces take part in these exercises.

Another new feature is the involvement of Japan in maneuvers thousands of miles distant from its territory. Since 1980 it has been a regular participant in "Rimpac" ("Pacific Rim") maneuvers conducted by the USA, Canada, Australia and New Zealand in the vicinity of the Hawaiian Islands. The Pentagon attaches special importance to these maneuvers since they work on the interaction of naval forces that belong to both NATO and to ANZUS. The coupling of a new element in the form of Japan to the "rim" is entirely in line with the Pentagon's policy of girdling the entire world with a chain of aggressive military blocs and groupings. In large-scale maneuvers of this type planned for March 1982, Japan will be represented by several destroyers (including guided missile destroyers), antisubmarine aircraft, helicopters and almost 1000 soldiers. Thus the newspaper MAINICHI observes, do the functions of the "self-defense forces," which are now charged not only with the "defense" of Japan, expand.

More and more clearly discernible are the contours of yet another direction of Tokyo's participation in the "collective defense" of the West, specifically in efforts to coordinate and develop the joint military policy of the USA,

other NATO countries and Japan. The intensification of Tokyo's military relations with the North Atlantic bloc commenced with the participation of National Defense Agency chiefs S. Kanemara (June 1978) and G. Yamashita (July 1979) in talks in Bonn. A return visit to Tokyo in March 1980 by H. Apel, minister of defense of the Federal Republic of Germany, reinforced these ties. The West German minister praised the state of the "self-defense forces" and urged his Japanese colleagues to develop long-range concepts and a special long-range military plan. H. Apel also proposed "learning from one another" and expanding ties between the military agencies of the two countries. In July 1981, D. Omura, the chief of the National Defense Agency returned from the USA, visiting France, the FRG and Belgium enroute. Of particular importance were his talks with NATO Secretary General J. Luns which specified concrete forms of cooperation between Japan and the North Atlantic bloc. At the same time, it must be borne in mind that the increasing frequency of military contacts along the lines Pentagon-NDA-NATO is not only directed against the Soviets. They are coordinating a line that is directed against the national liberation movement.

The interaction in the given sphere is supplemented by "friendly relations" between Japan and the People's Republic of China, which have undergone very significant development. Here the tone is set by the United States which is attempting to forge a "triangle" consisting of the USA, the PRC and Japan. They are actively assisted in this regard by PRC leaders. Characteristically, the thesis that was to provide a kind of theoretical base for the necessity of trilateral cooperation was specifically formulated in the Chinese capital in the early part of 1981 (in the pages of the second issue of SHIJIE ZHISHI, a journal on foreign political theory). The reference is to the Beijing idea of creating a "structure of joint resistance to the Soviet Union" the basis of which is proclaimed to be "the coordinated activities of the USA, Japan and China combine"--countries "that possess enormous military, political and economic influence." In this regard, Chinese foreign policy theorists note with satisfaction that Japan "devotes attention to the development of its military might, supports the United States' idea of the strategic division of duties, is increasing its military budget, and is assuming more and more military commitments."

In recent years, the trend toward stronger military ties between Tokyo and Beijing have been more and more clearly discernible. As early as 1976, they exchanged military delegations. Following the signing of the "peace and friendship treaty" in November 1978, such contacts intensified. In a short period of time, the PRC was visited by retired Japanese generals and admirals (H. Miyesi, O. Koihara, K. Mitsuoka, S. Kadowaki, and others). According to press reports, in the course of their talks with representatives of the general staff of the People's Liberation Army of China, they discussed a broad spectrum of issues ranging from weapons shipments to potential joint actions by the armed forces of the two countries. Similar topics were also discussed during visits by Chinese military leaders to Tokyo, specifically, Geng Biao, deputy premier, PRC State Council (presently PRC defense minister), Zhang Caiqian, deputy chief, general staff of the People's Liberation Army of China, and Su Yu, deputy minister of defense.

Nisihiro, a highly placed representative of the Japanese military agency, visited China for the first time in January 1982. He visited a number of military facilities and training centers in Beijing, Shanghai and Nanking. The Japanese emissary was introduced to the training of Chinese Army personnel and discussed the military-political situation in Asia with Wu Xiuquan, deputy [chief] of the Chinese general staff. The visit once again confirmed the policy of the Beijing leaders which is aimed at encouraging Japan to strengthen military cooperation with Washington and to increase its military spending further.

The U. S. decision--proclaimed in the course of A. Haig's visit to Beijing--to give the PRC access to arsenals of sophisticated weaponry simultaneously served as an additional stimulus to Japan to organize deliveries of military equipment to the Chinese market. Thus, prerequisites are purposefully created for forming a triple military-political alliance consisting of the United States, Japan and China.

The United States is trying to form yet another military alliance with Japan's participation in the Far East: Washington-Seoul-Tokyo. Japanese ruling circles have long proclaimed that the situation on the Korean Peninsula is directly related to "national security"; nonetheless, the rapprochement with South Korea has been hindered by serious contradictions between both sides including territorial disputes. However, strained relations between Tokyo and Seoul are not consistent with U. S. strategy in the Far East. The trip to Washington by the head of the Seoul regime in February 1981 and the overseas visit of the Japanese prime minister in the same year introduced new elements into the situation. Washington demanded that its partners reach a compromise in order to iron out their disputes and that Tokyo pledge "to make every effort to assist in the development of South Korea." The results were not long in forthcoming. Upon his return from the USA, Z. Suzuki declared that "the top priority foreign policy objective of Japan is to strengthen ties with South Korea" since this will "bolster security" on the Korean Peninsula.

In order to strengthen ties between the sides of the aforementioned "triangle," Washington sent assistant secretary of defense F. Carlucci (October 1981) and army chief of staff E. Meyer (November 1981) to Tokyo and Seoul. According to the wishes of the Pentagon, the Japanese National Defense Agency in turn delegated General N. Namatama, air force chief of staff, to attend Seoul talks on expanding the cooperation between Japanese and South Korean armed forces. Agreement was also reached on conducting joint naval maneuvers in spring 1982 under the direction of American admirals. All these measures were to prepare the groundwork for a bilateral alliance which in the estimate of Japanese newspapers would complete the creation of the Washington-Tokyo-Seoul military bloc.

At the same time that it was drawing Japan into all manner of "triangles," "axes," and other military-political combinations, the USA did not lose sight of the development of central elements of the Japanese-American alliance--the modernization and technical improvement of its own bases on Japanese soil, improvement of the "security treaty" mechanism, and the encouragement of its principal ally in the Far East to build up its military potential.

Washington has always attached exceptional importance to bases on the Japanese islands and has regarded them as "rear support points" in the pursuit of its aggressive aims in Asia. At the present time, these bases are supporting U. S. military activity in the Indian Ocean and the Near East. For example, the Pentagon has incorporated a marine division stationed on Okinawa in the "rapid deployment force" which is chiefly designed for action in the Near and Middle East. What is more American ships that serve the U. S. armada in the Persian Gulf sail regularly from Japanese ports. The importance of these ports is attested to by the fact that they were visited by more than 500 American warships in the first 6 months of 1981 alone. In response to Washington's demands to "lighten the financial burden associated with the (U. S.--R. A.) military presence in Japan," the NDA asked the government for 50 billion yen for the 1982/83 fiscal year. According to press reports, the maintenance of Pentagon bases on Japanese soil costs Japan more than 220 billion yen.

Washington evidently also intends to acquire the right to deploy theater nuclear forces on the Japanese islands. This fact was communicated, in particular, by Rear Admiral S. Jones, a representative of the U. S. defense department, to Japanese parliamentarian Yu. Hata. It has long been no secret that atomic weapons are being stored at American bases in the country. However the striving of the White House to "legalize" the use of Japanese soil as a nuclear base came to light for the first time.

The mechanism for cooperation between the Pentagon and the "self-defense forces" within the framework of the "security treaty" is being strengthened. Since the second half of the 1970's, their interaction ascended to a new level. Top-level meetings, including talks between representatives of the military agencies of the two countries, acquired a more regular character. Plans were compiled for coordinated operations of armed forces and for the creation of a special joint air unit, etc.

In November 1978, Tokyo ratified the "Guidelines on American-Japanese Cooperation in Defense" proposed by the American-Japanese "security advisory council." They define in detail the procedure of functioning of the "self-defense forces" and American armed forces in various situations and also call for making Japanese military technology fit U. S. standards. They propose the establishment of a line of communications between the "self-defense force" and the Pentagon and also with the Pacific headquarters of the U. S. armed forces in Hawaii.

According to the aforementioned document, Japan pledged to take an active part in the following measures: to elaborate joint combat operations for the "defense" of the country; to create coordinating bodies in the event of the deterioration of the situation; the collection and exchange of intelligence information; and the organization of a unified material-technical supply and support system. The implementation of these "guidelines" resulted in the creation of a ramified network of various committees and subcommittees which conduct regular discussions of concrete problems of joint military activity at the appropriate levels.

Washington talks on 7-May 1981 between Prime Minister Z. Suzuki and President R. Reagan marked a new stage in American-Japanese military cooperation. They confirmed the fact that Japan was aligning itself with U. S. foreign policy. Characteristically, for the first time in the postwar history of the relations of the two countries, the concluding communique referred to them as the relations of "allies." This essentially means that Japan has assumed new military commitments. Thus, within the framework of the "appropriate division of roles," Japan agreed: to patrol sea and air space and to protect sea lanes to a distance of 1000 miles from its shores; to increase the "defensive" potential on its soil and in adjacent sea and air space; to maintain the annual increment in the military budget at a level of no less than 7.5 percent; and to increase its share of expenditures on the maintenance of American forces and bases on Japanese soil.

An important step on the road to realizing the agreement reached within the framework of the "alliance" in Washington was completed at a sitting of the Japanese-American advisory commission in January 1982. The participants officially declared their intention to concretize plans for joint actions "in the event of extraordinary circumstances in the Far East." In the words of NDA chief S. Ito, this must entail the revision of Japan's existing laws on the "self-defense forces." It is illustrative that even the bourgeois press sounded the alarm in this regard. According to MAINICHI, while in the past the issue was action in the defense of Japan proper, there now arose the danger that on the basis of the "most dangerous" principles of the "security treaty" Japanese-American military cooperation would go beyond Japanese territory. As TOKYO SHIMBUN writes, "Japanese-American deliberations are developing in a dangerous direction and are leading to increased tension."

"Self-Defense Forces" Build Up Their Muscles!

As L. I. Brezhnev noted in the Report of the CPSU Central Committee to the 24th Party Congress, despite the Japanese constitution which bans war "for all time to come," militarists are once again trying to impel the country toward expansion and aggression.

The establishment of the "self-defense forces" in 1954 indeed contradicted the letter, spirit and Article 9 of the Japanese constitution. Under present conditions, the framework of the fundamental law seems particularly confining to the most militaristic and nationalistic circles in the nation. Thus, S. Okuno, minister of justice, and I. Nakagawa, director general of the science and technology agency, believe that "broad disagreement in the interpretation of Article 9 of the constitution may undermine the combat spirit of self-defense" and that in general there is a need to "rewrite the constitution." But since national public opinion is opposed to the cardinal revision of the fundamental law, military circles are trying to show that the existence of the "self-defense forces" supposedly do not contradict the present constitution. Thus, K. Ito, secretary general of the National Defense Council, believes that the constitution only bans the sending of armed forces to other countries and the possession of offensive combat materiel (e. g., ICBM's, strategic bombers and nuclear weaponry), but that it supposedly does not prohibit the possession of "low-power nuclear weapons exclusively for defense."*

*See ASIA PACIFIC COMMUNITY, No 10, 1980, p 4.

At the same time, the war machine is gaining momentum. The growth of armed forces assumes a character that even goes far beyond the "broad" interpretation of the "security treaty." Claims by certain Tokyo officials that the functioning of Japanese forces is confined to the Far East contradicts reality. What is more, the "national security" doctrine presupposes operations by the armed forces, especially naval forces, at a distance (as already noted) of 1000 miles from the nation's shores.

The country's ruling circles are trying to write this practice into law. In April 1981, the cabinet ratified a document sanctioning the use of Japanese forces for "defense" outside the nation's territorial waters and air space. At the present time, the NDA is redefining the geographical boundaries of the zone of operation of the "self-defense forces."

Another aspect of militaristic preparations is the qualitative modernization of the "self-defense forces." As a result of the fulfillment of four military programs (1958-1960, 1962-1966, 1967-1971, 1972-1976), Japan's armed forces have acquired impressive power. Experts believe that in fire power they "have significantly surpassed the imperial army millions strong of the times of World War II and are among the 10 most powerful armies in the capitalist world." But this state of affairs satisfies neither the Japanese war machine nor the Pentagon. In 1976, the government ratified the "General National Defense Program" which in the early 1980's took the place of the document called the "Interim Plan for the Development of Armed Forces in 1980-1984." Under U. S. pressure, Tokyo made the commitment to carry it out by 1983. Accordingly, the government resolved to increase military spending in the 1982/83 fiscal year to 7.75 percent of the state budget thereby raising it to the record sum of 2.6 trillion yen (approximately \$12 billion).

This is the by no means complete list of measures intended to raise Japan's armed forces to a qualitatively new level. The task is to re-equip the army with new combat materiel: to replace ground forces' obsolete tanks with new models and at the same time to increase their number from 850 to 1134; to outfit warships with guided missiles and to increase their tonnage from 230,000 to 264,000 tons. It is planned to purchase from the U. S. 17 costly R-3S ASW aircraft, to increase the number of F-15 interceptors to 112 and to raise the number of F-4EJ aircraft to 109. The plan also calls for augmenting the arsenal with 22 antitank aircraft, 12 fixed and 88 mobile ground-to-air missile launchers. It is appropriate to note that even now the country's air force numbers 1250 aircraft and that Japan occupies fourth place in the world with regard to this indicator.

At the present time, the NDA is working on the next five-year plan of military construction for 1983-1987. The plan, in particular, calls for expanding the zone of naval operations up to 2,000 kilometers from the nation's shores, and for supplying the air force with even more sophisticated U. S. aircraft and anti-aircraft defense systems. The new plan envisages the allocation of 24 trillion yen (\$112 billion)--an unprecedented sum in Japan's history--for the development of the armed forces over a five-year period.

In the opinion of Japan's right wingers, the government's decision to allow no more than one percent of the GNP for military spending is preventing the still greater growth of military potential. In the early 1980's, this limit was subjected to an unprecedented attack by militant circles who insist that the military budget be doubled and even tripled. Under pressure of the NDA and the Pentagon, the government has begun paving the way for the potential raising of the one percent ceiling. The Japanese prime minister has stated in parliament that military spending may in principle exceed this ceiling.

It should be noted that a significant percentage of the allocations for new weapons systems is listed as nonmilitary items of the state budget. An example of this is research on missile carriers by the Space and Aeronautics Institute at Tokyo University. One of the latest developments of the institute is the M-3S missile (1.4 meters in diameter and 24 meters long) capable of placing a 300-kilogram satellite in a 250-kilometer orbit. As the ASAHI EVENING NEWS (14 August 1980) writes, this missile is the equivalent of the Polaris-A3 or has half the power of the Minuteman-III.

Militaristic circles clamor for the public revision of the officially proclaimed "three non-nuclear principles" (not to produce nuclear weapons, not to possess nuclear weapons, not to introduce nuclear weapons on the nation's territory). Even now many Japanese are questioning the sincerity of the government's assurances regarding its adherence to these principles. The basis for such apprehensions was confirmed by the May 1981 statement by E. Reischauer, former U. S. ambassador to Japan, that as of 1960 a "verbal agreement" between Washington and Tokyo has allowed American warships with nuclear weapons on board to enter Japanese ports. According to retired U. S. Rear Admiral G. Laroque, over 70 percent of the American warships entering Japanese ports have nuclear weapons on board. At the same time that the Japanese government was reflecting on how to react to these announcements, U. S. Defense Secretary C. Weinberger openly admitted that visits to Japanese ports by the aircraft carrier "Midway" with nuclear weapons on board were based on the terms of the "security treaty."

The government commitment to restrict the export of weapons is eroding. The fact of the matter is that Japan's military business, which is impelling the country toward the path of accelerated militarization, is soliciting large orders from the NDA. Weapons manufacturers with significant production capacities see an important reserve in increasing the export of weapons which, in their opinion, requires the removal of government restrictions. The efficacy of the latter is, to be sure, very relative. According to SIPRI [expansion not given], while Japan was in 18th place in weapons exports in the first half of the 1970's, the increase in Japan's weapons exports was dramatic in subsequent years: from \$14 million in 1978 to \$21 million in 1979. The pressure of the military business has not been without its consequences, in particular, ramified relations and various forms of "cooperation" between the government and the business community.

Japanese Military Doctrine

The dominant views of the ruling circles in the nation regarding the goals, means and directions of foreign and military policy are expressed in concentrated form in the "national security" doctrine.

The evolution of this doctrine, which reflects the change in the role and place of Japan in regional and world policy, is indicative. All the way up to the end of the 1960's, "national security" was interpreted in a narrow, military sense. It was proclaimed to be based on the American-Japanese "security treaty" concluded in 1951. This orientation was embodied in total submission to American policy in Asia and the Far East and in material and political support for American imperialist aggression in Korea and Vietnam.

With the growth of Japan's economic might, the views of "national security" underwent a certain transformation. As M. Ohira, who subsequently served as prime minister, described it, in the 1950's and 1960's, its unconditional prerequisite was considered to be that "the existence and prosperity of Japan, its security and honor depend on the security of the seas" that surround the Japanese islands.* Starting in the late 1960's, when Japan moved into second place with regard to economic potential in the capitalist world, the "surrounding seas" alone ceased to satisfy monopoly capital: it now required global expanses.

At the same time, Tokyo had to reckon with the then incipient detente process which emphasized the importance of such factors as political dialogue and economic cooperation. The concept "national security" gave way more and more to the broader formula "national interests." It essentially consisted in the need to attain "peace and stability" on the basis of (1) the stability of the world capitalist economy; (2) the maintenance of military-political equilibrium between socialism and capitalism; and (3) the development of ties between North and South.** Behind the formula "peace and stability" lay the true interests of Japanese capitalism which tried under the new conditions to strengthen its positions in world politics, inter alia, at the expense of its imperialist partners.

In accordance with the indicated principles, a complex of foreign economic and diplomatic means was advanced to the forefront at instruments of policy. During those years, the government confirmed its commitment to adhere to the "three non-nuclear principles," to disallow increasing military spending in excess of one percent of the GNP, and affirmed a number of restrictions on the exporting of weapons. These principles were propagandized as manifestations of the "uniqueness" of Japan which, in the words of former prime minister T. Fukuda "refused to be transformed into a military power."*** Of course, the given conclusion not only did not reflect the true situation but directly contradicted it when we consider the rate and scale of military construction in the 1970's.****

*. PACIFIC COMMUNITY, No 3, 1972, p 409.

**VAGA GAYKO-NO KINKE, No 20, 1976, Vol 1, p 49; No 21, 1977, Vol 1, p 16.

***Ibid., No 23, 1979, p 293.

****One of the indicators of this point is the increase in the share of the military budget in the GNP: 0.8 percent in 1976-1978; 0.9 percent in 1978-1980 (See ASIA PACIFIC COMMUNITY, No 10, 1980, p 10).

Japan's practical activity in the international arena from the late 1970's on constituted such a clear departure from the concept of "peace and stability" that the ruling elite of Japan had to introduce new modifications in foreign policy and military concepts and doctrines. The agenda was taken up with the search for forms, ways and means of securing Japan's more effective functioning in the imperialist system under conditions of the changing balance of power and ways by which Tokyo might participate in attempts to "win out" over socialism on a global scale. The result was a new version of the "national security" doctrine in the early 1980's in which there was a clear emphasis on military aspects.

It should be noted that the basic prerequisites of the given version were formulated when T. Miki was in power (in 1974-1976) and were subsequently developed by Prime Minister M. Ohira (1978-1980). D. Suzuki, who replaced M. Ohira, like his predecessor initially interpreted the doctrine to mean that each element of "natural security" (defense, economics, diplomacy) was of equal value. However, he subsequently singled out only the military aspect which was called upon to substantiate or more precisely justify the "hardening" of Tokyo's line toward the USSR and the entire socialist community.

The principles of the updated "national security" doctrine were set forth in the "Political Security Program for the 1980's" which was submitted by the Japanese Ministry of Foreign Affairs. The most striking feature is that three out of the four sections in the program were devoted to military problems: "contemporary significance of the armed forces," "improvement of the American-Japanese security treaty," and "modernization of self-defense forces." Only the last, fourth section mentions the "intensification of diplomatic efforts."

In generalized form, the essence of the doctrine reduces to the following: the geographical boundaries of the "national security" zone are significantly expanded--from the Far East to the Near East; the task was posed of counteracting change in the balance of power to the detriment of imperialism; military means were advanced as the principal instrument of "securing political interests"; the protection of "national security" was considered within the framework of the "collective security" of the three imperialist centers; and finally, in addition to alliance relations with the West, the given context also refers to "friendly ties with China."

The elaboration of "national defense" theory is the business of the National Defense Council which was created in 1956. Materials prepared by the council convey the idea that "peace can be secured" only through the "effective reorganization of the self-defense forces" within the necessary limits in accordance with the power of the state and through the American-Japanese "security treaty." The "White Paper on Defense" for 1981 for the first time openly advocated the idea of "striking the enemy" outside the country. While in the past armed forces had the obligation to "repel aggression" directly against Japan, today such a strike can in principle be made in any area of the "national security zone," i. e., up to and including the Near East. The attempt is also made to give "self-defense forces" the responsibility of "protecting" the sea lanes. These ideas have now essentially become Tokyo's official military policy.

The course of military preparations in Japan indicates that Tokyo in general is reacting positively to the Pentagon's appeals to force the growth of the country's military potential (Washington considers its present rate and scale insufficient). Tokyo's military ties with the USA, with other imperialist powers and with China are increasing in breadth and depth.

At the same time, it would be incorrect to believe that such a dangerous trend does not encounter resistance within Japan proper. Within the country, there are more demonstrations in favor of a different, peaceloving path of development that is free of militarism and that opposes the nation's involvement in U. S. strategy. The antiwar movement also takes different forms. They include traditional peace marches, meetings, and protest demonstrations against visits to Japanese ports by American ships. The antiwar movement acquired particular magnitude in connection with the 36th anniversary of the bombing of Hiroshima and Nagasaki. In many Japanese cities, there were grandiose manifestations under the slogan "Remember the lessons of history! Fight for peace and nuclear disarmament! Hiroshima warns!" A considerable number of Japanese people have not forgotten that American imperialism dropped nuclear weapons on these cities, which, as it is generally recognized performed an exclusively terrorist function since there was no military necessity whatsoever for their use.

Many Japanese scientists are among those who warn against the country's slippage to the path of militarism. In workshops and in the press, they reveal the falsity of the thesis of the so-called "Soviet threat" which, as E. Sakamoto, researcher on international affairs wrote, Japan's ruling circles love to use as a "justification for rearmament and for the 'modernization' of military might."* Prefecture governor K. Nagasu, who has long studied international problems at Yokohama University, refers to the perniciousness that the present doctrines of "national security" and "self-defense" hold for Japan. He writes: "All wars have begun for the sake of self-defense. As a result of the proclamation of self-defense as the goal of the protection of vital interests, Japan was drawn into aggressive wars that it waged for 15 years."** The price of the military adventure of the 1930's and 1940's was 2,100,000 dead. The Japanese scholar and politician does not see another alternative to the country's foreign policy course than the policy of peace and willingness to defend peace.

"In Japan," declares K. Musyakodzi, professor of the Sofia University in Tokyo, "there is a dangerous trend that is impelling the country toward the path of cold war. This is a nationalistic trend that exaggerates the notion of an external military threat which is intended to justify military construction within Japan proper."*** S. Takakhasi, an associate professor

*ASAHI EVENING NEWS, 19 November 1979.

**Ibid.

***JAPAN TIMES, 17 November 1980.

at Tokyo University, correctly observes: "The Japanese government, following the American foreign policy course since the end of World War II, has never acted on its own initiative to relax international tensions."*

At an international symposium held in Tokyo in October 1981, the majority of its Japanese participants rejected the thesis of the "Soviet threat" and urged the government to join in the struggle for peace and security in Asia and throughout the world. As a positive step in this direction, they called upon the Japanese government to take the initiative to organize a forum for negotiations between the USA and the USSR on problems of nuclear disarmament.**

It can be said that the intertwining and struggle of the two trends determine the political life of modern Japan. The majority of the Japanese people favor the country's peaceful development and oppose the country's further involvement in the Pentagon's plans. However the most conservative, rightwing circles are impelling the country toward a path of militarism and revanchism. Playing upon these very forces and directly encouraging the "movement for the return of the northern territories," D. Suzuki's cabinet proclaimed 7 February "northern territories day" and the prime minister for the first time took part in a Tokyo "meeting" of proponents of the revision of postwar boundaries. D. Suzuki once more repeated the appeals "to secure the return of northern territories" and declared that only then would Japan agree to conclude a peace treaty with the USSR.

The Soviet Union consistently favors good neighbor relations with Japan and closer, mutually advantageous cooperation between the two countries which will serve the strengthening of peace in the Far East. In the 25 years that have elapsed since the establishment of diplomatic relations between the two countries, much has been done to develop and expand commercial and economic relations; there are active exchanges in scientific-technical, cultural and other areas. At the same time, particularly in recent years, there have been artificial constraints on the development of reciprocal relations which, as already noted, has found its expression--not without the participation of the Japanese authorities--in various types of campaigns hostile to the USSR. Here, the satisfaction of unlawful territorial claims against the Soviet Union is advanced as a condition to the stable development of mutual relations. "This," declared N. A. Tikhonov, chairman of the USSR Council of Ministers, in answer to questions asked by the editors of ASAHI in February 1982, "is an unrealistic position taken by the Japanese side. We have repeatedly declared, inter alia at the highest level, that in our relations there is no such topic as the supposedly unresolved 'territorial question.'"

As noted in the Report of the CPSU Central Committee to the 26th CPSU Congress, in Japan's foreign policy course, "negative factors are growing stronger--playing second fiddle to the dangerous plans of Washington and Beijing, and the trend toward militarization. However, we do not think that this is Tokyo's last word, so to speak, and we hope that foresight and an understanding of the country's interests will prevail there. As before, the USSR favors lasting and genuinely good-neighbor relations with Japan."

*JAPAN QUARTERLY, No 1, 1981, p 10.

**ASAKHI EVENING NEWS, 23 October 1981.

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otnosheniya", 1982.

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PROBLEM OF THIRD-WORLD DEBTS TO WESTERN BANKS VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 82 (signed to press 23 Mar 82) pp 132-140

[Article by L. Khudyakova: "Transnational Banks and the Developing Countries"]

[Text] The influx of private capital into the developing countries has grown in intensity in the last decade. In addition to international industrial corporations, transnational banks are also actively involving themselves in the affairs of these countries. The system of relations of such banks with the liberated countries is highly varied. It includes the granting of credits in foreign currency and the penetration of the money markets of these countries through the establishment of foreign branches and affiliates; transactions with petroleum money belonging to developing countries that export oil; the activity of transnational banks and such international financial centers as Singapore, Panama and the Bahamas where business is transacted in European currencies. One of the most important aspects of these interrelations is transnational bank loans to the developing countries whose private debt in 1981 significantly exceeded \$200 billion. The rising indebtedness of the developing countries to private banks in the West has serious consequences both for borrowers and creditors. The rapid increase in payments on private bank loans threatens economic growth in many debtor nations.

On the other hand, Western banks' refinancing of the loans of developing countries that have become their major clients is becoming a regular practice. This increases the interdependence of the developing countries and the West, involves many young countries more actively in the world capitalist economy and prompts both sides to seek compromises.

Scale and Prerequisites of the Growth of Private Indebtedness

The indebtedness of the developing countries to the West increased from \$87 billion in 1971 to \$450 billion in 1980. At the same time, the sum of payments against the debt (principal plus interest) increased more rapidly: from \$10.2 billion to \$88 billion. This is the result of the relatively more rapid growth of costly private credits, the share of which in total indebtedness exceeded 50 percent by 1980 compared with 25 percent in 1971.¹

Table 1. Medium-Term Credits Granted in European Currencies (at end of period; in billions of dollars)

Year	All borrowing countries	Oil-importing developing countries	Oil-exporting developing countries	Oil-importing developing countries (in % of general total)
1972	6.9	1.6	0.9	23.2
1973	21.9	4.6	2.7	21.0
1974	29.3	6.3	0.8	21.5
1975	20.8	8.6	3.0	41.3
1976	28.9	11.0	4.0	38.1
1977	41.8	13.5	7.5	32.2
1978	70.2	26.9	10.4	38.3
1979	82.3	35.4	13.0	43.0
1980	77.4	24.0	11.0	31.0
1981	132.3	33.1	11.7	25.0

Sources: INTERNATIONAL CURRENCY REVIEW, Vol 12, No 3, 1980, p 29; WORLD FINANCIAL MARKETS, December 1981, p 14.

The European currency market and especially the medium-term European currency credit market in which the developing countries are major borrowers (see Table 1) is the main source of Western bank credit. The decline in the absolute sum of borrowing the developing countries in the medium-term European currency credit market to a certain degree in 1980 was attributed to the banks' preference--given the depressed market and lowering of bank premiums for syndicated credit--for granting loans on a bilateral basis and to the fact that banks specified more favorable terms for themselves. On the whole, according to the estimate of the Bank for International Settlements, the indebtedness of 22 developing countries that are major recipients of private bank loans reached \$226.2 billion in early 1980.²

American banks are the developing countries' major creditors. To be sure, under the onslaught of West European and Japanese banking institutions, the share of American banks in the total sum of bank loans to the developing countries declined from 54.3 percent in 1974 to 37.6 percent in 1979.³ Nonetheless this sum remains substantial and the data on the scale of loans to the developing countries by the 10 largest U. S. banks, which account for three-fourths of all U. S. loans, strike us as indicative.

A high level of concentration of indebtedness of the developing countries to Western banks is also seen on the borrowers' part. At the present time, a small group of developing countries and territories dominated by Brazil, Mexico, the Philippines and certain other countries receive approximately 80 percent of all the credits. It was specifically these countries with their rapidly growing industrial production and exports that received

the first Western bank credits in the late 1960's. As is known, in the 1950's and 1960's, the developing countries traditionally used foreign investment, firms' import credits, bilateral and multilateral state loans, and gratuitous aid as the source for financing their economic development. Private banks also played an important but limited role which for the most part took the form of granting credit for exports and ad hoc participation in the financing of state-guaranteed projects. During that period, within the developing world there were no countries that private capital considered sufficiently credit-worthy to receive bank loans. Thus, the most important prerequisites to the growth of the indebtedness of liberated countries to private banks in the 1970's were changes in the level of their economic development.

Table 2. International Credits Granted by the 20 [sic] Largest U. S. Banks (at the end of 1979)

Banks	Inter-national credits (million of dollars)	Credits to devel- oping countries		Profit from international operations	
		millions of dollars	% of total	mill- ions of doll- ars	% of total profits
City Corporation	38,927	15,587	40.0	352	64.7
Chase Manhattan	21,733	6,828	31.4	146	46.9
Bank America	22,804*	8,276*	36.3	226	37.7
Manufacturers Hanover	13,266	4,864	36.7	103	48.8
J. P. Morgan and Co.	11,971	2,272	19.0	150	52.0
Chemical New York	8,697	3,011	34.6	50	35.1
Bankers Trust New York	7,814	2,698	34.5	59	51.5
First Chicago	5,454	1,819	33.4	4	3.5
Continental Illinois	6,816	1,953	28.7	36	18.5
Security Pacific	3,585**	1,725**	48.1	17	10.4

*Including securities; **Including stocks.

Source: INTERNATIONAL CURRENCY REVIEW, Vol 12, No 3, 1980, pp 31-32.

Transnational banks have their foreign institutions in the economically strongest countries in the developing world. Most of the branches and affiliates of these banks (not only U. S. banks) are concentrated in Latin America. For example, by the beginning of the 1980's 160 banking institutions represented all major banks of the world in Brazil. More than 50 foreign banks were operating in Argentina, Venezuela and Mexico. The number of branches and affiliates of transnational banks in Southeast Asia, Malaysia,

the Philippines, and Indonesia is rapidly growing. American and Japanese banks are dominant in these countries. Africa (with the exception of oil-exporting countries), where the insufficient development of national money markets is combined with strict government legislation vis-a-vis foreign banks attracts significantly less private banking capital.⁴

Private banks grant loans to the developing countries in close connection with the expansion of transnational corporations [TNC's]. It is noteworthy that the bulk of direct investments of TNC's in young nations is also in the most developed of them. As Western firms have acquired an ever greater role as trade partners and investors in the developing countries, there has not only been broader opportunity for private bank operations, but their activity has in turn also become a necessary condition to the expansion of the TNC's. Bank credits help the TNC's to increase the sale of equipment and technology since the developing countries have an urgent need for means of payment. Of late, the TNC's with the aid of the banks have also financed the exporting of capital: there has been an increase in the share of borrowed capital while the share of stock capital in new investment is diminishing.

The invasion of the developing countries by transnational corporations and banks has been encouraged by new priorities in the foreign economic strategy of imperialist countries and especially the USA. Direct state financing has been replaced by the stimulation of the exporting of private capital, which permits the maximum use of economic methods of influencing debtor nations and preserves the potential for political pressure.

The energy crisis and the recession in the developed capitalist countries have generated a sharp increase in the deficit balance of payments of the oil-importing developing countries and a corresponding increase in their need for foreign capital. Specifically since the second half of the 1970's has there been a particular increase in the number of developing countries calling upon private banks for credit. On the average, in 1973-1976 36 developing countries annually received credits in the European currency market. After 1977, this number had increased to 54. Even though some of the less economically developed liberated countries were among the borrowers (they were usually countries rich in raw material resources), most of the private bank credits (approximately 90 percent) as before went to countries with average per capita income (according to the IBRD, \$550-\$2500). The growth of indebtedness to the bank in the 1970's was in large measure promoted by the policy of the western banks proper which, under the conditions of an excess of liquidity and sharp competition between banks in the world money market, actively began searching for new clients among the developing countries. What is more, the risk was well rewarded: the developing countries agreed to bank credits at higher interest rates.

Some representatives of developing countries even believe that their debt increased primarily as a result of the increase supply of credits. One Latin American financier noted: "Foreign bankers expressed the desire to lend us money even before we requested it. The Italians had lira for the construction of our dams; the French had francs for our steel mills."⁵

Table 3. Financing of Deficit Payment Balances of Oil-Importing Developing Countries (at the end of the period; billions of dollars)

	1973	1974	1975	1976	1977	1978	1979
Deficit in current operations	-6	-24	-32	-20	-14	-26	-39
Long-term state loans (net)	5	7	11	9	11	12	14
Private bank credits (net)	9	16	19	18	18	23	32
Miscellaneous capital receipts	-1	4	3	4	-3	3	1
Accumulation of reserves	9	3	1	11	12	12	8

Source: INTERNATIONAL CURRENCY REVIEW, Vol 12, No 2, 1980, p 12.

As the energy crisis turned the developing countries (especially oil importers) into regular major clients of private banks, the latter became more and more interested in them and consequently in debt refinancing.

The lessening of investment activity in the industrial capitalist countries at the end of the 1970's served to perpetuate the role of the developing countries as major borrowers in the European currency market.

The growth of the indebtedness of the liberated countries in the face of the energy crisis is a most important component of the recirculation of petroleum money and is one of the conditions to maintaining the economic activity of the world capitalist economy in general. Industrial countries were faced with the choice of curtailing world capitalist trade or of increasing the indebtedness of oil-importing developing countries. They opted for the latter. Thus the increase in credits granted to the developing countries by private banks is a natural consequence of changes in the world capitalist market in the last two decades.

The Consequences for Borrowers

Private bank credits are part of the general economic strategy of imperialism which is designed to keep the developing countries within the world capitalist economic system. Most bank credits earmarked for investment financing are channeled into raw material, including energy, projects intended to supply the industrial countries with the resources they need.

Western financiers believe that this specific form of credit guarantees the most effective use of financial resources since private capital is above all interested in the profitable placement of credit. It should be emphasized, however, that the greatest profit from participation in such projects is derived primarily by Western banking and industrial monopolies and not by the developing countries. What is more, given the growing deficits

in the payment balances of oil-importing developing countries, an ever larger percentage of the foreign bank credits obtained by them is used unproductively. While they of course help to regulate deficit payment balances of oil-importing countries (see Table 3), they complicate the future repayment of bank loans.

As a result of the increased use of bank credits, there has been a considerable increase in the burden borne by the developing countries. They are not only more expensive than government or intergovernment credits, but are also offered for a shorter period of time. According to the IBRD, 70 percent of the private debt of the developing countries which had accumulated by the end of 1977 had to be paid before 1982 compared with 25 percent of the official debt.⁶

The borrowing developing countries have become more dependent on business conditions in the international loan capital market. The rise in rates in the loan capital markets has been accompanied by higher interest payments. For the 12 oil-importing countries that were the major customers for private bank credits, these payments rose from \$1.1 billion in 1970 to \$16 billion in 1980.⁷ Particulars associated with the formation of interest rates on medium-term European currency credits⁸ since the rise of the basic interest rate (LIBOR) means the higher cost of not only new but also previously obtained resources. In connection with the anti-inflationary policy of the main capitalist countries, the basic rates for 3-month deposits in Eurodollars at the end of the 1970's increased to 16 percent and comprised 21.5 percent in the fourth quarter of 1980. This led to a considerable increase in the cost of European currency credits to its borrowers. Official Brazilian official agencies estimate that an increase in the basic rate by one percent increases the country's annual payments for European currency credits by \$400 million, which is the equivalent of a 15-percent increase in the cost of oil.

The ratio of annual payments to proceeds from exports is usually used as the indicator of the borrower's credit payment load and effective demand. For all oil-importing developing countries as a whole, this indicator deteriorated by the end of the 1970's: it rose from 9 percent in 1974 to 17.5 percent in 1979. It is particularly high among major customers for private bank credits. According to the IBRD, in 1978 it was 48.7 percent for Bolivia, 45.7 percent for Uruguay, 56.9 percent for Mexico, 39.2 percent for Panama, and 28.4 percent for Brazil.⁹

In the case of oil-importing developing countries in the 1970's, notwithstanding the rise in prices on certain raw material commodities produced by them, the current operating deficit not only continued but also increased significantly, amounting to approximately \$70 billion in 1980. Thus payments on debts were financed exclusively by new loans. According to IBRD estimates, given the projected 10 percent a year increase in the indebtedness of the developing countries in the 1980's, by 1985 credit payments will amount to 88 percent and by 1990, 95 percent of newly acquired loans.

As a result, the real influx of funds into the developing countries is steadily diminishing. Linking the indebtedness problem to the task of economic growth of the developing countries, G. Abbot, author of the book "International Indebtedness and Developing Countries," wrote that the greater the debts of the developing countries, "the fewer resources are left for development. This in turn reduces the rate of economic growth and accordingly the amount of internal accumulations that can be used for investments and for paying off debts."¹⁰

Some bourgeois economists advance the thesis of the "nonpolitical" character of private bank loans unlike IBRD or IMF loans that are accompanied by certain economic and political demands. However, the political aspect is also present here. The banks' selection of debtor nations coincides entirely with the foreign economic goals of imperialist countries and these credits are usually received by the same countries that receive military, state or food aid.

With the growth of indebtedness, the question of more closely monitoring the economic development of debtor nations is more and more frequently raised by the private banks themselves. As the largest U. S. banks (City Bank and Morgan Guaranty Trust) acknowledge, they are not particularly alarmed regarding the growing debt of the developing countries, but in the immediate future plan to devote more attention to the need for the debtors to pursue a "regulatory policy" which frequently leads to restricted consumption and the lowering of the living standard. Commenting on this point, THE JOURNAL OF DEVELOPMENT STUDIES wrote that the primary use of private banking capital instead of intergovernmental capital "does not mean, as the governments of developing countries initially assume, necessarily reduce dependence but only alters its nature."¹¹

Banks foist on borrowing countries economic demands that are primarily aimed at ensuring the short-term effective demand of these countries. Nonetheless, they frequently contradict the attainment of long-term objectives of socioeconomic development of young countries. What is more, certain groupings in the developing countries used the demands of private banks in their own interests in order to hinder the development of the state sector.

The growth of private bank credits has also had an adverse impact on the structure of distribution of financial resources within the developing world: the bulk of the funds go to the more developing countries to the detriment of the neediest. All this attests to the fact that private bank credits are unable to resolve the financial problems of the developing countries.

Creditors' Cul-de-Sac

A unique feature in the development of the international banking system in recent years is the deterioration of its liquidity situation. The Western press frequently mention the growth of the indebtedness of developing countries to private banks as one of the factors that could cause serious financial difficulties in the international loan capital market, including a liquidity crisis. What is more, alarm is for the most part expressed

not by the bank-creditors proper but by their country's currency and financial agencies. Thus, in the opinion of H. Reuss, former chairman of the Banking Committee, U. S. House of Representatives, the potential of private banks to grant loans to the developing countries has already been reached.¹² There is indeed reason for such apprehensions. Between 1974 and 1978, the number of developing countries that proved unable to meet their obligations and that appealed to international organizations for help increased from 3 to 18.¹³ Even Brazil, which for a long time was the "favorite" of the international bankers, suffered a financial imbalance as a result of the rise of prices on imported oil and the high cost of foreign credits. By the beginning of the 1980's, Brazil's foreign debt exceeded \$50 billion and its debt payments comprised 60 percent of its export proceeds.¹⁴

The threat of debt nonpayment may arise from the most unexpected quarters. Illustrative in this regard is the example of Zaire which received \$500 million in credits from private banks between 1969 and 1974. It was believed that when prices rose on copper--the main export commodity--the country would pay off most of its debt in 1975. But copper prices declined at the same time that oil prices rose dramatically. As a result, Zaire was unable to pay both its official and private debts. The list of creditors included the IMF and IBRD and many commercial banks.¹⁵

Currency and financial agencies are also alarmed by the high level of concentration of indebtedness on the part of both borrowers and creditors. In 1979 10 countries owed U. S. banks more than \$1 billion each. American banks have set limits on the amount of credit they will extend to any one country and these limits have almost been met in the case of the developing countries. "We (i. e., Western banks.--L. Kh.) may find ourselves in a paradoxical situation," former Bundesbank president O. Emminger noted in this regard, in which there will be a shortage of clients to whom we can grant credits at the same time that banks have an excess of funds."¹⁶

Under these conditions, the international banking system occupied a cautious position in the early 1980's. Some representatives of financial circles are demanding a more restrictive economic policy in order to improve the financial status of the developing countries. However, this will inevitably have a negative impact on developed Western countries as well. According to certain estimates, the lowering of the average annual economic growth rates of the developing countries by three percent will reduce the growth rates of OECD countries by one percent.¹⁷

In this regard, a number of Western financiers propose increasing the flow of capital in intergovernmental channels--through OPEC, the IMF and the IBRD while simultaneously restricting the volume of private bank credits. Others, however, do not see danger in the existing situation. Thus, representatives of the largest American creditor-banks maintain that they are not disturbed either by the present scale of private indebtedness of the developing countries or by its distribution even though they note that this credit now costs more.¹⁸

The position of U. S. banking capital on this question has been quite definitely formulated by I. Friedman.¹⁹ In his opinion, the granting of credit to the developing countries is no riskier than other operations

if one observes "precautionary measures"²⁰ among which he numbers the analysis of the debtor-nation's ability to pay, the broader use of guarantees by government institutions in the creditor-nation and in the debtor-nation, the use of guarantees of TNC's whose affiliates are situated in a developing debtor-nation and will use the credit, the bank's accumulation of reserves to defray possible losses; and broader cooperation with intergovernmental banks and international currency and financial organizations.²¹ Such a position by representatives of the largest banking monopolies stems from the fact that the granting of credit to the developing countries is highly profitable since the bank premiums are the highest here. For example, in the European currency market in the second quarter of 1981, it averaged 1.12 percent for the developing countries compared with 0.47 percent for OECD member nations.

It is also essential to take into account the situation that has developed in the international loan capital market in recent years. Given the general instability in the capitalist currency and financial sphere and inflation, the banks have a surfeit of short-term deposits. Petroleum money is a major source for augmenting the banks' credit resources. In 1980, the influx of only officially recorded sums of petroleum money to the European currency market was \$41.5 billion.²³ The decline of the demand for credit under the conditions of low economic activity in the developed capitalist countries has also promoted the transfer of capital from national markets to the international market by increasing the liquidity of banks that operate in European currencies. Thus the international banking system has concentrated an enormous mass of liquid resources in its hands.

In a similar situation, transnational banks were compelled to continue granting credit to developing countries that were already their major debtors. However, this does not mean that they do not reckon with a possible risk. In addition to creating internal reserves and developing better methods for analyzing the credit-worthiness of potential borrowers, private banks try to use the bourgeois state and its organizations as insurance.

Alliance With the State

The growth of private bank credit has been accompanied by the lowering of the share of public and intergovernmental funds that are channeled into the developing countries. Thus at the end of 1970's, "aid to the development" Development Aid Committee member nations²⁴ comprised 0.33-0.34 percent of the GNP. This indicator averaged 5.7 percent for OPEC member nations between 1974 and 1978.²⁵

Receipts through intergovernmental channels, especially from the IMF and from international development banks, even though increasing in recent years, have nonetheless lagged behind private bank credit. Thus, in 1974-1979, the IMF granted the developing countries approximately \$11 billion in credit whereas in 1979 alone these countries received over \$30 billion in the European markets. According to THE ECONOMIST, IMF credit in 1974-1979 financed only three percent of the summary deficit of the payment balances of these countries²⁶ while private banks financed approximately 80 percent of the developing countries' for external resources (see Table 3). What is more, certain developing countries preferred to

obtain credit from banks even though they had access to specially created IMF funds. One of the reasons was the relatively simple procedure for obtaining private bank loans unlike the terms of IMF aid which foisted a certain economic policy on the debtor nation.

The indebtedness of oil-importing developing countries is more and more frequently reviewed. In the process, creditor banks try to shift the basic burdens of the negotiations to intergovernmental organizations, and to make their participation conditional upon the fulfillment of the IMF's recommendations by the borrowing nation. Thus an April 1976 meeting of the "Paris club" reached a decision to review the official indebtedness of Zaire, extending it by 10 years with a 3-year grace period. Zaire also tried to obtain a similar review of its private debts. However in accordance with the 1976 London memorandum, in November 1976 Zaire had to pay private banks the interest that had accrued by that time in order to be entitled to obtain credits in the world markets; begin negotiations with the IMF with the aim of obtaining credits from it up to 1 April 1977; begin payments on principal in order to pay the banks \$50 million by the end of February 1977. The agreement with the IMF gave an international guarantee that Zaire would pursue an economic policy that was deemed necessary by creditors and at the same time secured the top-priority recognition of private debts. Thus did the bourgeois state undertake to defend the interests of private capital.

The American bank Morgan Guaranty Trust first suggested the idea of possible cooperation between private banks and the IMF in 1977. Its bulletin noted that maintaining the trust of bank-creditors "requires the more active" participation of official international organizations in the monitoring of financially unstable borrowers."²⁸ In the opinion of that bank, the partnership between this bank and the IMF could include the exchange of information on matters of interest to both sides. The discussion then began regarding possible forms of cooperation between the IMF and private banks. At the international monetary conference held in May 1977 in Tokyo, M. Blumenthal, then U. S. treasury secretary, proposed the development of a system of joint IMF and private bank credits which envisaged the exchange of information. In particular, it called upon the IMF to provide potential private creditors with information on the financial and economic situation of the borrowing country. It called for the parallel financing of loans and for the IMF's use of bank funds to grant credit to the developing countries.

Owing to the different approaches to the question of cooperation between the IMF and private banks, none of the proposals has been officially endorsed. However this does not prevent private banking monopolies from using the IMF in their own interests as a source of information on potential borrowers and for bringing pressure to bear on their economic policy.

The highest degree of cooperation on credit for the developing countries is found in the IBRD which has repeatedly participated in joint financing programs albeit usually in the capacity of guarantor. A new practice in joint financing has been developing since 1975: in addition to the basic credit agreement, the IBRD organizes credit agreements between private banks and the same borrower (conducts negotiations, verifies the agreement,

submits the necessary information). By the middle of 1979, the contribution of private banks was \$550 million out of total joint financing of \$3.2 billion.²⁹ The Interamerican Development Bank also practices the same kind of joint financing.

Private banks find it to their advantage to cooperate with intergovernmental institutions since such cooperation ensures the preliminary preparation of credit agreements, access to economic information regarding the borrower and the lowering of risk to a certain degree. Intergovernmental banks in turn have the possibility of attracting the financial resources they lack and of keeping a tighter check on the way in which debtor nations use private bank credit.

In addition to cooperating in the direct implementation of credit agreements, the bourgeois state in recent years has been especially active in its effort to create a system of guarantees for the international operations of private banks, including operations involving the developing countries. In the opinion of the majority of representatives of monetary and financial agencies in capitalist countries, it is necessary to take precautionary measures that would not hinder the development of international private bank credit, but would reduce the risk of a bank crisis in the event borrowers default on their debt repayment or if depositors withdraw their funds. Now that the problem of recycling petroleum money to a considerable degree through private banks has resurfaced with new vigor, this point of view has become dominant.

A meeting of the "group of 10" central banks held in Basel in the spring of 1980 emphasized the need to secure the reliability and stability of international banking operations under the conditions of their further growth. To this end, it was resolved to improve the collection of information on borrowing countries and on the activity of banks; to organize the regular publication of international banking statistics so that the central banks might provide timely assistance to private banks operating in the international sphere. Thus the problem of state regulation of international banking operations in the present stage reduces to the creation of the most favorable conditions for the functioning of international private capital that concentrates basic financial resources in its hands.

The growth of the scale of international private bank credits, inter alia for the developing countries, is an integral part of the general growth of the role of private capital in foreign economic relations. At the same time, the facts incontrovertibly show that private capital is unable to secure the effective accumulation and redistribution of financial resources in the capitalist world.

Under these conditions, the more active participation of international organizations in the solution of the problem of external financing of the developing countries becomes inevitable under these conditions. However, given the existing array of forces, such international monetary and financial institutions as the IMF and IBRD are incapable of operating with regard to the true interests of the developing countries. It was for this reason

that representatives of liberated countries attending a conference of heads of state and governments from 22 countries in October 1981 in Cancun once again advanced the demand for global negotiations on economic-trade and monetary-financial issues within the framework of the UN on an equal footing.

FOOTNOTES

1. Data on the indebtedness of the developing countries are published by the International Bank for Reconstruction and Development (IBRD), the Bank for International Settlements (BIS), the Organization for Economic Cooperation and Development (OECD), and by private firms and banks. There is usually disagreement in these data owing to the different systems of counting.
2. WORLD FINANCIAL MARKETS, September 1981, p 12.
3. INTERNATIONAL CURRENCY REVIEW, Vol 12, No 3, 1980, p 31.
4. In general at the end of the 1970's, more than half of all foreign institutions of 50 of the largest transnational banks were found in the developing countries, even though in the sum of stockholdings these institutions yielded to foreign branches and affiliates in developed capitalist countries. The number of foreign institutions of 50 transnational banks in the developing countries increased from 968 in 1971 to 1573 in 1976 ("Transnational Corporation in World Development. A Re-Examination," U. N., New York, 1978, p 215).
5. CEPAL REVIEW, No 6, 1978, p 94.
6. FINANCIAL TIMES, 16 August 1979.
7. Ibid., 7 January 1981.
8. The cost of medium-term European currency credits forms from the basic interest rate on interbank deposits in London (LIBOR), which is revised every 3-6 months and from the markup (bank premium) that changes depending on the category of the borrowers.
9. "World Bank. 1980 Annual Report," Washington, 1980, pp 136-137.
10. G. C. Abbot, "International Indebtedness and Developing Countries," New Delhi-Bombay, 1980, p 7.
11. THE JOURNAL OF DEVELOPMENT STUDIES, January 1980, p 215.
12. See THE NEW YORK TIMES, 10 June 1979.
13. See FAR EASTERN ECONOMIC REVIEW, 19 October 1979, p 57.

14. See FINANCIAL TIMES, 30 June 1980.
15. See R. Weston, "Domestic and Multinational Banking," London, 1980, pp. 331-333.
16. U. S. NEWS AND WORLD REPORT, 18 February 1980, pp 93, 94.
17. FOREIGN POLICY, Spring 1978, p 134.
18. Already in 1980, the cost of European currency credits for many developing countries, including Brazil and Argentina, increased by 25 percent. For countries with the lowest credit rating (e. g., Zaire), the market for private bank credits was in general closed.
19. I. Friedman occupied responsible posts in the IMF and IBRD and has studied the economy of these organizations' member nations. In the late 1970's, headed a group of experts set up within the framework of City Corporation for the purpose of analyzing the credit-worthiness of potential borrowers. See I. S. Friedman, "The Emerging Role of Private Banks in the Developing World," New York, 1977.
- ✓ 20. Citibank President W. Riston repeatedly emphasized that the bank's \$40 million losses stemming from the bankruptcy of the American Penn Central significantly exceed the losses connected with loans to Zaire.
21. See I. S. Friedman, Op. cit., pp. 50-58.
22. FINANCIAL MARKET TRENDS, November 1981, p 24.
23. "Bank for International Settlements. 51st Annual Report," Basel, 1981, p 110.
24. The DAC--Development Aid Committee--was established within the framework for the purpose of articulating uniform policy and coordinating "aid" of OECD member nations to the developing countries.
25. "World Bank. 1980 Annual Report," p 20.
26. THE ECONOMIST, 12 January 1980, p 67.
27. "Paris club"--an unofficial organization which since 1956 has reviewed the debts of countries experiencing financial difficulties.
28. See THE WORLD ECONOMY, May 1979, p 232.
29. Brazil's receipt of a credit of \$370 million for the development of aluminum production can be cited as an example. An IBRD agreement provided \$98 million; a consortium of private banks headed by Chase Manhattan--\$90 million; Shell and Reynolds bought \$148 million in stocks (THE BANKER, November 1979, p 46).

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ROLE OF NATIVE BIG BUSINESS IN FOUR ASIAN COUNTRIES VIEWED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 82 (signed to press 23 Mar 82) pp 140-146

[Article by M. Kun'shchikov: "National Monopolistic Capital in Developing Asian Countries"]

[Text] The countries that have been liberated from colonial oppressions differ in large measure from one another in many indicators including their level of capitalist development. In Asia, there are several countries in which private capital has succeeded in occupying quite strong positions. National monopolies today play a significant part in the social development of India, Pakistan, the Philippines and Turkey.¹ In this regard, it is important to analyze the economic and political status of the monopolistic bourgeoisie and its influence on the formation of the domestic and foreign policy of the given countries.

I

The formation of national monopolies in Asia extended over several decades--from the 1930's to the 1960's. For all the basic similarities with similar processes in Western capitalist countries, this process in the most highly developed Asian countries has numerous unique features of its own. National monopolies in India, Pakistan, Turkey and the Philippines developed as a result of the interaction of internal and external factors. The former included the development of stock companies, the concentration of production in individual most highly developed branches of industry, and the growth of local joint stock banks and insurance companies. Typically, the concentration and centralization of the lowest forms of capital--trading and usury capital--were the most important source of accumulation in the monopoly-forming process. Among the specific features of the incipient national monopolies, we can, in particular, note their relative economic weakness (they were far less economically powerful than Western industrially developed countries), their subordinate position to and dependence on foreign capital, the relative absence of ties between local banks and industry, etc.

National monopolistic capital occupies a unique position in the motley socioeconomic structure of India, Pakistan, the Philippines and Turkey today. As a result of the survival of precapitalist, especially feudal,

production relations to a considerable degree, the sphere of activity of big business is relatively narrow: it is still quite closely connected to trade-usury capital and large landholdings. Monopolistic capital is personified in a very small (but most powerful) group of local bourgeoisie. There is a vast gulf between the monopolists and small businessmen, which occasions acute socioeconomic and political contradictions between big business and most of the bourgeoisie.

Of major importance to national "big business" is its relations with foreign monopolistic capital. They are very complex and contradictory: mutual interest and cooperation on the one hand and stiff competition on the other. The forms of these relations are gradually changing. These changes depend both on the development of state-monopoly capital in Western industrial countries and Japan and on the growth and "modernization" of the monopolistic bourgeoisie in the most highly developed countries of Asia.

With the acquisition of independence in India, Pakistan and the Philippines (in Turkey--after World War II), the sharpness of the struggle between foreign monopolies, including transnational corporations and national big business) was blunted somewhat. Monopolistic capital--unlike small and medium-scale capital--frequently competes with individual foreign companies and even squeezes them out of the local market. It is specifically national monopolies that are as a rule "worthy" partners of foreign capital, especially transnational corporations, in joint endeavors. They make maximum use of the advantages of cooperation agreements with foreign firms (they also receive the greater part of capitalist countries' aid earmarked for the private sector). Under these conditions, the contradictions between national and foreign monopolistic capital increasingly acquires the character of "conventional" competitive struggle.²

The policy of the governments of India, Pakistan, the Philippines and Turkey vis-a-vis local monopolistic capital is contradictory. On the one hand, it is a policy that is aimed at narrowing the sphere of action of big business and at restricting its influence on economic life in general (primarily through the accelerated development of the state sector), as well as at eliminating the most flagrant abuses in its activity. It also tries to regulate the development of monopolistic capital in the direction required by the state (e. g., to stimulate its transfer to new capital-intensive branches). At the same time, such a state policy does not in any way envisage undermining the economic might of national monopolies. The latter are granted certain opportunities for further growth (in the form of state subsidies, orders, new industrial licenses, etc.). All this has enabled national big business to preserve and even increase its economic resources during the years of independence.

Notwithstanding certain national differences in state policy for the regulation of private business, the governments of the four leading developing Asian countries have pursued a similar policy of support and encouragement. Given the array of class and political forces in those countries, state economic policy dictated by the objective requirements of economic development has in actuality stimulated the strengthening of the positions of big business in the national economy and has promoted the priority growth

of monopolistic capital compared with other groups of the national bourgeoisie. It should be noted that the governments of India (especially the government of I. Gandhi in the late 1960's and early 1970's), Pakistan (in 1972-1977 under Z. Bhutto), the Philippines (in the 1970's under F. Marcos), and Turkey (from the middle to the end of the 1970's under B. Ecevit), under pressure of the small-scale industrial and middle bourgeoisie and the broad working masses and by virtue of antimonopolistic trends, tried to prevent the excessive concentration of economic power in the hands of big business (they carried out various antimonopolistic measures, e. g., the nationalization of private banks and insurance companies, of some large industrial enterprises and firms, the introduction of antimonopolistic legislation, etc.) However, this fact notwithstanding, the concentration of capital and production and the economic positions of the monopolies in the given years during the years of independence strengthened substantially.

The high level of concentration of capital and production gave rise to the significant scale and economic-financial might of local monopolies in the developing Asian countries. The strengthening of their economic might found most vivid expression in the growth of capital and of the largest monopolistic groups.

India numbers 75 monopolistic groups each of which has industrial assets in excess of 50 million rupees. Over 50 percent of the country's total private capital (excepting banking capital) is concentrated in their hands. They have received over half of the financial resources made available to private firms by the state. They have received the majority of licenses for the construction of new enterprises. They have concluded approximately half of the agreements with foreign companies. Twenty of the largest monopolies--Birla, Tata, Mafatlal, Singkhaniya, Sindiya, Tkharpar, Bangur, Shri Ram, Sarabkhay, Kirloskar, and others--have assets (including bank assets) of more than 1 billion rupees each. Between the 1971 and 1977 fiscal years, the total assets of these monopolies increased by 76 percent--from 30.6 to 54.0 billion rupees.³

Pakistani monopolistic capital is represented by 22 financial industrial groups including the Daud, Khabib, Adamdzh, Saygol, Ispakhadni, Valiki, and Latifi families. The largest of these groups--the Saygols, Adamdzh and Khabibs--have capital in excess of 100 million rupees each. At the beginning of the 1970's, 22 monopolistic groups controlled two-thirds of the industrial assets, 80 percent of the bank deposits and 79 percent of the country's insurance funds.⁴

In the Philippines, the apex of national business is represented by 40 financial and industrial associations--Soriano, Madrigal, Elisalde, Araneta, Yulo, Marsman, Jacinto, Rodriguez, and others (the local press customarily writes about the wealthiest "400 Manila families." Moreover, 200 of them are "sugar millionaires." In the early 1970's, these monopolistic associations controlled approximately 90 percent of all capital in the national sector of the Philippine economy."⁵

In Turkey, in the opinion of local economists, there are at least 10 financial and industrial monopolistic capital groups. Two families (V. Kocha and

Sabandzhi) own billions of lira and 30 families (K. Tashkenta, F. Edzhadzhybashi, Khasa, Sampaza, and others) possess capital in excess of 1 million lira.⁶

During the years of independence, accelerated growth and the strengthening of the economic might of the national monopolies in a number of liberated Asian countries occasioned their economic expansion primarily to the less developed nations of Asia and Africa. Having adopted the character and methods of the imperialist monopolies, the local monopolists have tried to expand the sphere of their activity and to go beyond their national boundaries.

The export of capital is most typical of Indian monopolies as the oldest and economically strongest of the Asian developing countries. For the most part, they export capital to Africa (Kenya, Mauritius, Nigeria, etc.) and Southeast Asia (Malaysia, Indonesia, Thailand, Singapore, etc.). In the 1960's, India's monopolistic bourgeoisie invested its capital primarily in African countries. Subsequently, its attention turned primarily to Southeast Asian countries where, according to statements by representatives of big business, "the climate for investment was more favorable." In addition to this, starting in the mid-1970's the monopolies also started making capital investments in the Persian Gulf oil-producing countries (the UAR, Iran, Oman, etc.) in connection with the capitalist world's fuel and energy crisis that struck a heavy blow against the Indian economy.

By the end of July 1978, the Indian government approved a total 329 proposals on the investment of national private capital in 48 countries (primarily in Asian and African countries and in some industrially developed capitalist countries. Ninety-two joint enterprises have been put into operation and 101 are under construction. Private Indian investment in already completed projects amounted to 232.8 million rupees; in projects under construction--415 million rupees. Already built enterprises include: 16 textile and jute mills, 11 machine and machine tool plants, 11 metalworking plants, 9 agricultural processing enterprises, 8 plants for the production of chemical fertilizers and other chemical products, etc.⁷

From the middle to the end of the 1970's, Indian big business made active attempts to organize cooperation with Western and Japanese transnational corporations in the construction of joint industrial enterprises outside the country, especially in Southeast Asia and Africa and in the Persian Gulf countries. Thus, representatives of the Federation of Indian Chambers of Commerce and Industry negotiated the given question with delegations of British, American and Japanese businessmen. The result was a number of agreements, particularly, regarding the construction of joint Indian-British industrial facilities in several African and Persian Gulf countries and an Indian-American project in Thailand.⁸ This is a new element in the activity of monopolistic capital which attests to its willingness to participate as a "junior partner" of imperialist monopolies in the exploitation of natural resources and the cheap labor power of the less developed countries of Asia and Africa.

Philippine monopolies also export capital on a considerable scale. For the most part, they export capital to African countries and to neighboring Asian countries and territories--Indonesia, Hongkong, Papua New Guinea, etc. The largest Philippine monopolistic groups (Soriano, Marsman, etc.)

have invested capital in a number of industrially developed countries--the USA (breweries), Spain (tobacco factories, breweries), etc.

Pakistani monopolists, using their traditional ties with the bourgeoisie in Moslem countries of the Near East, are exporting capital primarily to such countries as Saudi Arabia, Kuwait, Bahrein, etc. At the same time, in the 1970's Pakistani big business also began investing capital in certain African countries.

The export of capital intensifies the contradictions between the monopolies of imperialist powers and the monopolistic groups of young Asian countries. Certain difficulties are also developing within the group of developing countries: between capital-exporting countries and other Asian and African countries. At the same time that they pursue their selfish ends, Asian monopolies frequently ignore national interests by exporting capital abroad despite the acute shortage of capital in their own country. These actions by the monopolists are encountering the mounting resistance of progressive, democratic forces in Asian countries.

On the whole, since the acquisition of independence, the national monopolies in India, Pakistan and the Philippines (and in Turkey starting in the 1950's) have significantly grown and strengthened. A relatively small group of these associations that have close economic and financial ties with imperialist monopolies has come to occupy a dominant position in the private sector of the economy of these countries. Today the Asian monopolies are in their structure more and more closely approximating monopolies in the industrially developed Western countries. This attests to the appreciable acceleration of the formation of national monopolistic capital in Asian countries.⁹

However, given the complex economy, significant vestiges of precapitalist production relations and a strong state sector, Asian monopolies, while occupying a powerful and ever increasing position (in absolute terms) in the economy of their countries, do not play a decisive role in it. Serious economic and financial dependence of local big business on the state (with respect to obtaining industrial licenses, orders from state enterprises, credits, tax benefits, etc.) still persists.

II

The rapid growth of the economic might of Asian big business has led to its increased political activity. In the 1950's, monopolistic capital, being relatively weak, essentially gathered strength, gradually bolstered its political positions, and expanded the potential for influencing the policy of national governments. In the 1960's, after growing stronger, it moved into Asian countries, especially India and Pakistan; became an active political force and an independent political entity. The positions of various monopolistic groups in India, Pakistan, Turkey and the Philippines on the basic issues of social development of their countries are essentially similar. They were quite precisely formulated in resolutions of congresses of central organizations of Asian monopolistic capital held in the 1960's and 1970's--the Federation of Indian Chambers of Commerce and Industry, the Federation of Pakistani Chambers of Commerce and Industry, the Union

Chambers of Trade and Industry and Commodity Exchanges of Turkey, the Philippine Chambers of Commerce and Industry, and in pronouncements by their leadership.¹⁰

The socioeconomic program advanced by the monopolistic bourgeoisie in India, Pakistan, Philippines and Turkey is based on the "free enterprise" concept (which in large measure repeats the views of "orthodox liberals"--conservative ideologues of Western monopolies). This program is designed to weaken the regulatory role of the state in the national economy and the elimination of restrictions on the activity of big business. The monopolists demand that the sphere of activity of the state sector be narrowed and favor the broader involvement of foreign capital, especially private capital, in the national economy. The monopolistic bourgeoisie rejects radical agrarian measures instituted by certain national governments and tries to secure the development of large capitalist agricultural enterprises.

It should be noted that the approach of big business to the state's economic regulation policy is contradictory to a certain degree. On the one hand, it fights against government restrictions and is highly critical of various aspects of state economic policy. On the other hand, big business in principle regards government intervention in the economy as an inevitable and necessary phenomenon. The monopolistic bourgeoisie, which is to a certain degree interested in the economic activity of the state, tries to subordinate this activity to its own interests.

The program of big business in domestic policy is directed first and foremost toward the sharp restriction of workers' rights, at undermining the influence of and ultimately banning communist parties. In foreign policy, big business pursues a "pragmatic course" which is essentially aimed at bringing the industrially developed capitalist countries closer together.

National monopolistic capital, applying its favorite tactic of "laying all its eggs in several baskets at the same time" uses various channels for strengthening its influence in the political life of India, Pakistan, Turkey and the Philippines. With the advent of independence, monopolists won significant positions in central and local government. The constant interest of big business in preserving and strengthening contacts with government stems first and foremost from the fact that the increased dependence on state credit, tax breaks, import licences, etc., it is especially important that big business have its "own people" in government. The monopolists have been quite successful in establishing quite close ties with a number of influential, primarily bourgeois political parties. They have widely financed these parties especially in the election campaigns. The increased striving of big business in a number of Asian countries to exert a greater influence on the activity of legislative bodies, especially in the central parliaments, is indicative. Statements by national associations of businessmen, especially the leading organizations of big business, have been of considerable significance with regard to various problems of socioeconomic policy. Monopolists have also occupied strong (occasionally dominant) positions in the local press.

Asian monopolists continue to be inclined to exert an indirect influence on the political life of their countries, as is particularly indicated by their penchant for expanding "informal" ties with the government, for increasing the size of its lobbies in legislative bodies, and for financing political parties and politicians primarily through closed channels. At the same time, big business--now having grown stronger--is clearly trying to use the levers of direct political pressure (albeit not always successfully) to an ever increasing degree, including "formal" contacts in interrelations with executive power, "its own" political parties, and direct participation in the activity of legislative bodies.

On the whole, the monopolistic bourgeoisie in the most developed Asian countries have energetically defended their own parochial interests and are conducting a broad struggle in the political arena. Possessing enormous financial and economic resources and considerable experience of political struggle, the monopolistic bourgeoisie is an active, well organized political force that exerts a significant influence on the policy of national governments especially in the socioeconomic sphere.

Monopolistic capital plays an essentially conservative role in the socio-political life of the given countries. In actuality, it serves as polarizer and political leader of the conservative forces. This is the result of its traditional ties with feudal and semifeudal elements, with its dominance in the private sector, and its interaction with the Western monopolistic bourgeoisie.

The strengthening of local monopolies in the most highly developed Asian countries evokes the growing dissatisfaction and resistance of various classes and social groups, including the proletariat, small-scale industry and the middle bourgeoisie (which frequently include the poorest segment of the peasantry, the petty urban bourgeoisie, "new" middle urban strata, etc.). The restriction and ultimate elimination of the economic and political positions of the monopolies are one of the main prerequisites to progressive reforms in India, Pakistan, Turkey and the Philippines. It is for this reason that the leftist forces, under the leadership of the communist and workers' parties, attach such great importance to the struggle against monopolistic capital in their political programs and practical activity.

The antimonopolistic struggle has assumed the greatest scope in India. Here big business is opposed by leftist parties and organizations, especially the Communist Party of India and the All-India Trade Union Congress, which constitute a significant political force. But in other Asian countries, the leftist circles, being relatively weaker, cannot as yet launch broad antimonopolistic programs.

As shown by the experience of social development in India, Pakistan, the Philippines and Turkey in the 1960's and 1970's, the economically strong class or the stratum of the same class (in the given instance, national monopolistic capital) ever strives to secure important political positions in conformity with its economic might. However, under existing conditions, local big business is obviously unable to win a dominant place in either the economic or political life of these countries. At the present time,

we can speak of the emergence of elements of state-monopolistic practice in India, Pakistan, Turkey and the Philippines, which finds expression in the development of relations of conservative elements of the state bureaucracy with representatives of big business; in the policy of state regulation of private enterprise in the interests of monopolistic capital to a certain degree, etc. However, it should be noted that here there is as yet no merger of the interests of local monopolies and the state (as a result of the action of such factors as the socialization of production, significant state intervention in socioeconomic processes, etc.). Moreover, as is known, the state in a tense situation fraught with the danger of social explosion, has in a number of instances implemented measures to weaken the economic positions of the monopolies. On the whole, we can speak of rather limited potential for the development of state-monopolistic capitalism in the most highly developed Asian countries.

III

In the economically most advanced Asian countries, especially India and Turkey, there were important events in social life that in one way or another influenced the economic and political consolidation of monopolistic capital in the early 1980's.

In India, the Indian National Congress with I. Gandhi at its head, came to power as a result of the parliamentary elections held in January 1980. The former ruling Djanata Party suffered a crushing defeat. In 1980-1981, I. Gandhi's government carried out a number of progressive economic measures that, inter alia, strengthened the system of long-term state planning of economic development, that renounced the discredited practice of compiling annual "flexible" plans (the Planning Commission developed a new draft of the Sixth Five-Year Plan for the 1980/81-1984/85 fiscal years), that nationalized six larger commercial banks, etc. While retaining considerable control over the development of the private sector, including big business, the government at the same time gave it certain benefits enabling it to increase production and to increase the production of goods for export.

After the INC came to power, the monopolistic bourgeoisie organized a broad propaganda campaign with the aim of bringing pressure to bear on the new government. Thus the Federation of Indian Chambers of Commerce and Industry sent the government a memorandum entitled "Minimum Economic Action Program" which essentially set forth the basic demands of big business in the economy. The federation demanded the elimination of "obstacles" to the development of private big business and in particular demanded that it be admitted to key branches of industry then reserved for the state sector. The federation also urged the government to give private capital a number of new benefits and in particular to remove controls from prices and from the allocation of some of the most important industrial goods, to reduce direct tax rates (corporate taxes, income taxes, etc.) sharply, to "liberalize" import policy, and to give private companies greater freedom to utilize the resources of state financial and credit institutions.¹¹ In addition to this, Indian monopolists actively opposed some government measures that affect their interests. They, for example, criticized such a step taken by the new government as raising prices on a number of the most important goods and

services in the state sector. Monopolistic publications, in particular, FINANCIAL EXPRESS and ECONOMIC TIMES declared that the result will be "sharply increased production costs at private enterprises," and "price escalation in the private sector," etc.¹²

In the existing situation, the Communist Party of India has been the "democratic opposition" to the present Indian government, "supporting any of its progressive measures" and "decisively opposing policy that runs counter to the interests of working people and the national interests."¹³ With the aim of eliminating the economic power of big business, the CPI demanded the "nationalization of the 20 largest monopolistic houses." In October 1980 the 31st Congress of the All-India Congress of Trade Unions advanced its 10-point program which was designed to create a "broad front of struggle against exploitative forces and for the development of the country on the road to a truly democratic and socialist system." This program, in particular, contained the following demands: to put an end to the power of Indian and foreign monopolies and to eliminate the base of their economic might; immediate nationalization of industrial branches producing key consumer goods and commodities produced for export; the creation of an effective system for distributing commodities and providing commodities with goods at reasonable and firm prices; ending corruption and "bureaucratic, ineffective and pro-monopolistic" policy in the state economic sector, and its "radical reform and democratization in the interests of the nation and the people."¹⁴

A coup d'etat in Turkey in September 1980 resulted in the establishment of a military government headed by K. Evren. Judging by local press reports, Turkey's new military administration, like the previous civilian coalition government of the National Front, headed by S. Demirel, the leader of the Justice Party (a coalition "to the right of center"), adopted an "austerity policy" envisaging the consistent raising of prices and the devaluation of national currency. Thus at the end of 1980-1981, prices were raised on gas, petroleum products, and certain foods and the Turkish lira was devalued a number of times. There has also been a policy of giving preference to the development of the private sector, including big business, and of actively attracting foreign capital. The new administration has also enacted a number of measures to normalize the activity of the state sector. A new "export regime" was directed toward the all-round stimulation of production for export.

On the whole, Turkish big business welcomed the army's ascendance to power and approved the socioeconomic policy of the new administration. The monopolists expected that it would lead to the establishment of "economic and political stability" in the nation. They expressed particular satisfaction over such measures taken by the new administration as the introduction of a new "export regime," the prohibition of strikes in industry, etc. At the same time, business leaders are not satisfied with the benefits bestowed upon them and are insisting on further steps that would give private enterprise more freedom; they have especially demanded that ~~it be~~ admitted to key branches of industry presently reserved for the public sector.

On the whole, proceeding from the foregoing, in the future it will be possible to expect the further strengthening of the position of the state sector in the economy of the most highly developed Asian countries. The state system of regulation and control of private business, including the activity of monopolistic capital, will evidently be preserved (even though it is entirely possible to implement measures directed toward a certain "liberalization" of the economy and the government's renunciation of direct administrative intervention in economic life). We should also expect further social and political polarization, the intensification of the struggle of the monopolistic bourgeoisie and its allies on the one hand and leftist and democratic forces on the other. At the same time, the activity and solidarity of all progressive forces will be a factor of the greatest importance.

The struggle against monopolistic capital (both "domestic" and foreign) in the Asian developing countries is an important component part of the general antimonopolistic movement side by side with antimonopolistic movements by progressive forces in developed capitalist countries and the developing countries of Africa and Latin America.

FOOTNOTES

1. In the early and mid-1970's, private national monopolies also appeared in Iran while the Shah was still in power. However, the antimonarchistic, anti-imperialistic revolution in the late 1970's put an end to the development of monopolistic processes.
2. For more detail, see: "Inostranny kapital i inostrannoye predprinimatel'stvo v stranakh Azii i Severnoy Afriki" [Foreign Capital and Foreign Business], Moscow, 1977; O. Malyarov, "Rol' gosudarstva v sotsial'no-ekonomicheskoy strukture Indii" [The Role of the State in India's Socio-economic Structure], Moscow, 1978; A. Levkovskiy, "Sotsial'naya struktura razvivayushchikhsya stran", Moscow, 1978; G. Shirokov, "Promyshlennaya revolyutsiya v stranakh Vostoka" [The Industrial Revolution in Eastern Countries], Moscow, 1981.
3. "Report of the Monopolies Inquiry Commission 1965," New Delhi, 1965; "Report of the Industrial Licensing Policy Inquiry Committee (Main Report)," New Delhi, 1969; ECONOMIC TIMES, 29 November 1979; 16 October 1979.
4. DAWN, 25 April 1968; 26 February 1973.
5. W. Pomeroy, "An American Made Tragedy. New-Colonialism and Dictatorship," New York, pp 53-54.
6. Yu. N. Rozaliyev, "Ekonomicheskaya istoriya Turetskoy Respubliki," Moscow, 1980, p 250.
7. COMMERCE, 19 August 1978; EVENING NEWS OF INDIA, Bombay, 24 October 1978.

8. See NATIONAL HERALD, 10 November 1976; COMMERCE, 19 August 1978; FINANCIAL EXPRESS, 12 December 1978; HINDUSTAN TIMES, 16 February 1980.

9. To be sure, when the economic power of imperialist and Asian, particularly Indian, monopolies is compared, the latter are considerably weaker. Thus, at the end of the 1970's, the assets of the leading Tata company (Tata Iron and Steel Company), which occupies first place in India in this indicator, were 1.04 percent of the American 'General Motors' and 1.44 percent of the British-Dutch 'Royal Dutch Shell.' The assets of Birla, the largest Indian monopolistic group were 3.7 percent and the assets of the 20 leading monopolistic groups in India were less than 20 percent of the assets of General Motors (ECONOMIC TIMES, 18 September 1980).

10. See, for example: EASTERN ECONOMIST, 14 April 1967; 21 March 1969; 7 April 1973; 29 April 1977; and 28 April 1978; DAWN, 1 March 1973; 12 April 1975; ASIA RESEARCH BULLETIN, 31 August 1975; MILLIYET, 21 December 1974; 24 January 1975; and 13 August 1975.

11. See: NEW AGE, 12 October 1980; 26 October 1980.

12. FINANCIAL EXPRESS, 3 November 1980; ECONOMIC TIMES, 2 September 1980.

13. NEW AGE, 10 February 1980.

14. Ibid., 2 November 1980.

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